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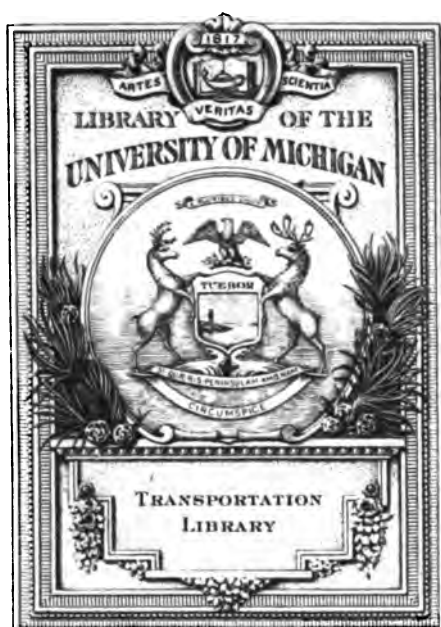
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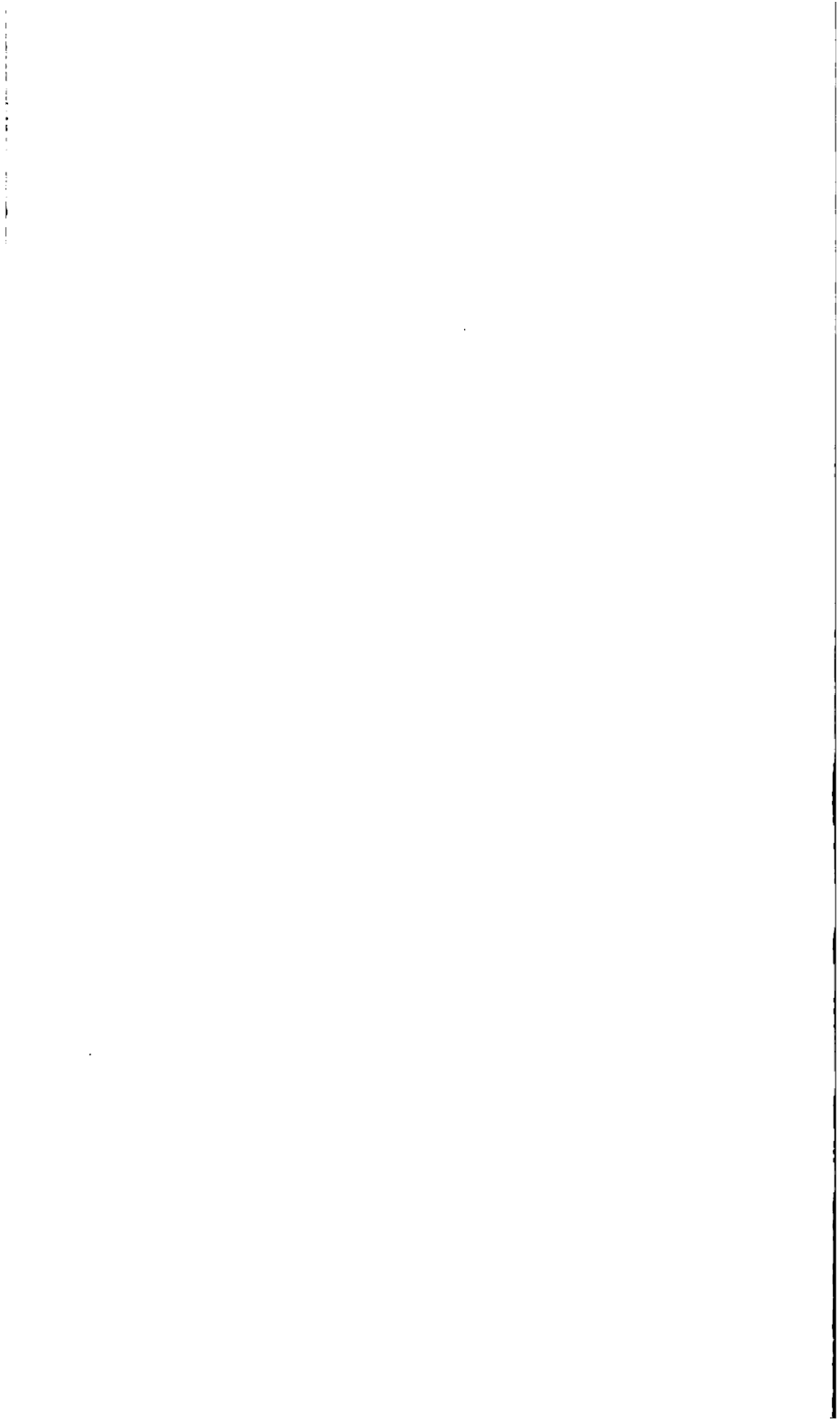
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Second
The Bubble of the
Age.

(Fallacies of
Railway Investments)

TRANSMITTED TO THE

By Arthur Smith.

1848.



R.R. - Investments

THE

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BUBBLE OF THE AGE;

OR,

THE FALLACIES

OF

RAILWAY INVESTMENT,

RAILWAY ACCOUNTS,

AND

RAILWAY DIVIDENDS.

Second Edition.

TRANSPORTATION

BY ARTHUR SMITH.

LONDON:

SHERWOOD, GILBERT, AND PIPER,
PATERNOSTER ROW.

1848.

Numerous friends and correspondents have requested that very full details of the various Companys' accounts, with copious explanations, might be given to the public. In compliance the writer begs to annex Appendix No. 1, being full details of the London and North Western Company's affairs, and to inform the public that the other Companies accounts will follow in successive appendices, on a similar scale.

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THE BUBBLE OF THE AGE.

E. J. K. 5-21-45

The interests of Directors and Shareholders, however much may be said in theory, are not always found in practice to be identical—the former are invariably too powerful for the latter, even from a superior knowledge of detail alone; and the real state of affairs is constantly kept back, misrepresented, or made unintelligible to the generality of the public. During the past few months, for instance, we have seen a large Joint Stock Bank stop payment, in one of our wealthiest and most commercial districts; the shares had stood at high premiums; at the previous half-yearly meeting the dividends declared were large, and the representations of the Directors most encouraging; yet, to the amazement of every one, this *flourishing concern* stops payment; and, on investigation, it is discovered that some half a million had been lent to one firm without security; that the shares were held to a considerable extent by parties who had never paid a farthing; that the capital had been lent to persons on unavailable securities; and that discounts had been effected with some who were not regular customers, and with others whose commercial standing did not justify advances.*

The country has just received intelligence of the result of the Union Bank of Calcutta; a Company under the man-

* See Report of Meeting in the Liverpool Standard, April 4, 1848.

agement of leading merchants in that City, many shares being held in England; the Company had enjoyed a high repute, chiefly from the enormous premiums of the shares; but it would now appear, that the Capital had for years been squandered in keeping up the value of the shares in the market*; that they had issued and distributed notes and securities equal to 1,200,000*l.* without receiving consideration; and that the representations of the Directors were wholly without foundation in truth; and a large call is now absolutely necessary to pay even the debts due by the Company.†

In the Metropolis of Great Britain we find that the Company of Copper Miners of England, which for some years had stood in high repute, (the principal of the Company being, not only the Chairman of the London, Brighton, and South Coast Company, but also a Director of the Bank of England.) The dividends declared had been large, and the representations most encouraging, and yet in the midst of all this the innocent proprietors are horrified by finding the Company in difficulties, and the Bank of England applied to for assistance. The Bank commences investigation, and for the *first time*, the proprietors learn their true position; instead of the flourishing dividends, the losses in the past few years had actually reached 350,000*l.*, and it is openly stated in the public prints, that the Company had borrowed large sums on debentures, without legal authority, the holders having no legal remedy

* This is the mode adopted by Railway Companies, and is termed "rigging the market." It is very convenient just before a meeting, it puts the proprietors in good humour, it leads to payment of calls, and induces many to hold who were inclined to sell out, it is also a temptation to purchasers.

† Several holding high Government Appointments in India, are in the list of unfortunate proprietors. It is invariably discovered that the Directors had previously sold out.

against the Company, and that though the Chart of the Company only authorised dealings in copper, a trade had also been carried on in iron.*

The injury inflicted on the Country, both in a moral and pecuniary point of view, by these small Companies, sinks into insignificance when compared with Railway Companies. For it is not alone whether trade shall be stagnant and commerce paralysed, but it is also a question, whether by the grossest deception, a small number of the community shall be allowed to pilfer with impunity the remainder, give garbled statements, or decline to give any explanation at all to Shareholders, set Acts of Parliament at nought, trifle with, and deceive the Legislature, and give false information and deceptive returns to Government. Since the Legislature and Government have been so much misled, can we be surprised at the manner in which the public generally, and even Shareholders themselves have been betrayed into mistaken notions of the real nature of Railway investment? No apology need then be made on presenting these pages to the public, the deep distress which now pervades the Country, should arouse the attention of every one—it affects all. Integrity is one of the great internal safe-guards of a nation: whenever the parliament, or an influential portion of the people have been corrupt, commercial and mercantile pursuits have invariably languished, and trade and all monetary transactions placed in imminent danger; chicanery, repudiation, and low cunning, soon sacrifice every thing that is honorable, noble, or great, on an altar of rapacity and ruin. In 1844 and 1845,

* This Company had existed nearly two centuries, and the affairs of the Company are now in Chancery, on the ground that all transactions in excess of those authorised by its Chart, are breaches of trust on the part of the Principal and Court of Assistants, (i. e. the Directors.) The spirited proprietor taking these proceedings, deserves the highest praise.

the welfare of the country was compromised by an infusion from interested sources, of unhealthy hopes of speedy fortunes, or momentary aggrandizement—gold for the time was sought after with a recklessness and hazard equalled only by abandoned gamblers; and the successes of the leading individuals, were proportioned to their abandonment of principle. As with dice, he who has loaded them knows how to win, so with Railway shares, they who concocted allotments, amalgamations, and purchases, gained; while the confiding, misinformed, or ill-advised purchasers proportionately lost. A few years have since passed, honest men see their wealth fast dwindling to nothing; while the half ignorant and half cunning find they have been impoverished to enrich some Director, who was far more knowing and subtle; men of property find their fortunes reduced, and rent and interest unpaid; merchants are failing by hundreds, and the minor tradesmen by thousands; manufacturers can get no orders; tradesmen have either no customers or no money paid them; and mechanics have no work and no resources; and the inevitable consequences follow:—namely, political meetings and threatened outbreaks. The working man feels something has been wrong, and attributes it to bad government; and, in effect, there is little difference between measures founded on corrupt motives, and legislation based on incorrect information. For, under the authority of these Acts, money has been obtained from tens of thousands, by a specious appearance of value, premiums having been fictitiously created in the market, and other deceptions have been resorted to, which concern not the respective persons interested or injured alone, but are matters of the deepest import to the whole community: crimes affecting the whole nation, and should be strictly regarded as such. If a man is robbed, and the thief is discovered, the person whose property was taken is bound over under a heavy penalty to prosecute.

If a man has been induced to part with his money or property under false representations, he has a remedy. Should not the Government and Legislature institute an inquiry, and should not powers corruptly obtained be at once withdrawn, before further sums are abstracted from the unfortunate proprietors, and further injury inflicted? No later than the year 1844, when it was discovered that Railway Companies had borrowed, without any legal authority, millions on loan notes;* the Government at once took steps, and it being the opinion of the Law Officers of the Crown, that the holders of these (generally believed) securities had no legal remedy whatever for the recovery of their money, either against the Companies or the Directors. The inquiry was instituted, which now forms the fifth report from the select Committee on Railways; and Mr. Gladstone lost no time in bringing in a bill legalizing the notes then issued, and prohibiting them in future;† and for this act of justice Sir Robert Peel and Mr. Gladstone were denounced at Railway Meetings, (the whole subject having been misrepresented) by the Directors, as having used unconstitutional means for carrying the measure, while the interference of Government was characterised as

* The sum borrowed on these securities in 1844, is since found to have been 5,582,223/.—It was represented before a committee in 1844 to have been about 1,500,000/.

† The loan notes were legalized by the 7 & 8 Vic. c 85, the opinion of the law advisers appears to have been founded on the rule, that every thing done by Railway Directors in excess of what is authorized (in the Act or Acts under which the Company is incorporated) is illegal; and it may be doubted, whether, at the present time, half of what is done by Directors is legal. A lender, therefore, who lends in excess of what the Company is authorized to borrow, has no remedy whatever, in case the Company declined to pay, and almost all companies at the present time have exceeded their powers. The President of the Board of Trade, only a few days since, inquired of the Railway Representatives whether they did not consider themselves ‘chartered liberties.’—*See speech in House of Commons, May 17, 1848.*

most overbearing and tyrannical.* Still, no one can deny that both the inquiry and the legislative enactment was most proper and constitutional; the legislature having delegated certain powers to a corporation, surely, at all times has the power of inquiring into, and correcting any abuse of the power so granted.

The fact now so much alarming Railway investors is, they begin to find that Railways have invariably required a constant outlay greater than the dividend declared, without reference to the expenditure on the branches or extensions. Can then the distrust now so predominant in the public mind on the real nature of Railway investment be wondered at. In the year 1845, Railway Directors enjoyed the confidence of a proprietary unbounded in its liberality. In 1848, instead of implicit trust, we see nothing but doubt, fear, and suspicion. Every good citizen rejoices at the honest success of his neighbour, and the welfare of the nation; he laments the prostration of trade, and the ruin of thousands: nay more, it is his duty to examine into the causes of distress, and to endeavour to eradicate evils.

For some years we have had the most flourishing descriptions of Railway Companies, and certainly, if one or two accounts are cursorily looked over, the impression left is one most gratifying and encouraging; in many Companies, the dividends declared are large; in others, if the dividends are not large, it is confidently stated, that at no distant period they will be increased, and if a diminution of the dividend is recommended, the proprietary is congratulated on having so large a sum placed to a reserved fund. Unfortunately it is only by a careful retrospect of the general

* Mr. Huxton, is reported to have said that Sir Robert Peel had used treasury notes to carry the measure.

affairs and accounts of a Company that a correct opinion can be formed, and all must admit, that the almost unintelligible manner in which the accounts have been kept has proved most injurious ; for an attentive and careful analysis of a series of the accounts, forms either a direct contradiction to the statements and predictions which have been from time to time put forth in Reports and Speeches, or clearly prove that Railways are only to be worked by a constant outlay of capital greater than the dividends declared,* and that has been the case ever since the introduction of locomotive power.

Not more than two years have elapsed since an investment

* The effect on the pockets of the proprietary is the same in either case. If Directors have paid dividends out of capital, or have paid dividends by charging its capital with sums which should have been paid out of the traffic receipts, they have obtained premiums under false pretences. If on the other hand, the accounts have been mystified to hide the fact that Railways can only be worked by a constant addition to the capital account, (greater than the dividends declared) they are guilty of the grossest deception to the shareholders, as well as to the legislature, whom they have equally deceived. Some key to the real expense of working a Railway, will be found in the return moved for by Captain Gladstone, and ordered to be printed on the 28th June, 1847, being a return "of the number and description of persons employed on all the Railways respectively, on the 1st May, 1847, which were then opened for traffic." It will there be found, page 14, that the opened line of the London and North Western was 378½ miles, with 140 Stations, and that the *staff necessary* for working that mileage was 6418 persons, (exclusive of those employed on the maintenance of the way, which was let under contract; and also exclusive of 458 persons employed on the North Union, which was rented.) Now putting the average amount of salary and wages at 100*l.* a year each, we find it will take 641,800*l.* to pay wages alone, on the 378½ miles. The average being 17 men to a mile; the same average would make the item of wages on the present mileage, 759,900*l.*—not including the maintenance of the way which is let. The Great Western Company employed at the same date, 1,385 persons in maintaining 245 miles; and the North Union, 124 on 39 miles; (see before alluded to Return, p. 10 and 20,) the same average on the London and North Western (it should considering the traffic be much more) would increase the item of *wages alone*, including those employed on the 23 miles of the North Union, to 926,400*l.* a year.

in London and Birmingham shares, or in the Shares of either of the amalgamated Companies now forming the London and North Western Railway Company, was generally considered by the bulk of society as safe as an investment in the Government stocks; since which, Directors have had their own way, there have been no legislative interference with the management, and no competition. The causes then of the extraordinary increase in the value of shares in the years 1844 and 1845, and the subsequent depreciation, is matter of interest, not alone to the Railway Proprietors, but it also deeply concerns the public at large, for not a person in the United Kingdom has escaped its effects; directly, by the depreciation of his property, or, indirectly, by the scarcity of money caused by such depreciation; the dulness of business proceeding from the losses among general consumers, or the absorption of capital in Railway construction, to the prejudice and neglect of mercantile and other pursuits.

In the year 1845, the period at which confidence in Directors stood at its highest point,—and it must be of the greatest importance to Railway Proprietors to know whether their confidence was misplaced—Railway Shares were selling in the London and Birmingham Company at 250*l.* each, that is the market value of 41,250* shares on which 4,125,000*l.* had been called up, was 10,312,500*l.*; the selling price of 42,968 shares on which 85,936*l.* had been paid, was 1,890,592*l.*; and the value of 55,000 shares, on which 110,000*l.* had been paid, stood at 1,815,000*l.*; the value then of the London and Birmingham Railway shares, on which 4,320,936*l.* had been

* The 25,000 quarter shares issued in 1837, as well as the 31,250 3*l.* shares issued in 1839, had been converted from their original position into 100*l.* shares, by being reduced in number,—these shares added to the 25,000 original 100*l.* shares issued in 1833, make the above number.

paid, was 14,018,092l.*. The Grand Junction Shares on which 2,087,225l. had been paid, stood at 5,697,350l.† and the shares of all the leading Railway Companies stood proportionately high. What could have caused the present depreciation?—a depreciation in the shares of the one Company alone, now denominated the London and North Western, from 26,406,334l. with 8,656,631l. of share capital paid up, to 18,795,010l. with 13,091,066l. paid up‡; the same progressive increase in price in proportion to the sum paid, would make the present value 42,604,220l.; the depreciation, therefore, is equal to the difference between that sum and the present value, namely, 23,809,210l.; and the aggregate

* This is not taking any of the shares at the highest price.

† Copy of Share List, Aug. 7, 1845

	No. of Shares	sum paid	price
London & Birmingham	41250	100	252
Ditto, new	42968	*10	58
Ditto, new	55000	2	37
Grand Junction	10918	100	244
Ditto, (half)	10918	50	120
Ditto, (quarters)	5000	25	61½
Ditto, (new do.)	17624	15	53½
Ditto, (eighths)	22033	5	22½
Liverpool & Manchester	5100	100	212
Ditto, (half)	7968	50	107
Ditto, (quarters)	12024	25	52½
Ditto, new	12089	4	46½
Manchester & Birmingham	30000	40	90
Ditto, (quarters)	30000	4	15
Ditto, (new do.)	60000	2	13

Copy of Share List, March 22, 1846.

	No. of Shares	sum paid	price
London & N. Western	103400	100	125
Ditto, (quarters)	168380	22	27½
Ditto, (fifths)	68750	2	6
Ditto, G. J. 40l.	12090	20	20
Do. M. & B. 10l. A	30000	7½	8½
Do. M. & B. 10l. B	60000	7½	8½
Do. M. & B. 10l. C	70000	1	3

NB. The total number of shares issued by the amalgamated Companies, has reached 760,225, but the number has been lessened by four quarter shares, three third shares, or two half shares, being converted into one 100l. shares, and called stock; the present number of shares is 514,626.

235,955 shares were issued in 1845, at premiums amounting in the whole to 4,719,100l., and 168,380 shares in 1846 at premiums amounting to 1,863,800l.

* The sum of 2l. was paid on the shares,—a call of 8l. had just been made, which caused them to be quoted as 10l. paid. These shares at 58l. each, would fetch 2,492,324l., but they are given in this work at half a million less, as the shares are not taken at the highest.

‡ The loans and shares paid in advance, on 31st December, 1847. amounted to 8,791,734l. making the total receipts in Capital Account, 21,882,000l. See Capital Account and General Detail, Appendix, Account I. and II.

X depreciation in the value of the shares of all the English Railways, exceeds the enormous sum of 200,000,000*l.* in two years.*

The Government has introduced no Bill to interfere with Railway Management—an Ex-chancellor of the Exchequer has certainly proposed a Bill for auditing Railway accounts; but if anything, that should have the effect of adding to the stability of Railway property as an official Government announcement, confirming the oft repeated declaration of the Directors, would be hailed with pleasure—one would suppose—by the Directors themselves; but the Directors opposed the measure in every possible manner, and succeeded in throwing it out, which is certainly most suspicious. There are no competitions between Railway Companies, and if there were, one Company's shares would certainly augment in value as the other depreciated, but all shares have fallen alike.† The Government has done nothing prejudicial.‡ Let us see what the Directors have been doing:—1st, The Directors of the London and North Western Company have made a nominal increase of near a million; that is, they pay dividend on the sum of 964,762*l.* not received, and have also issued (notwithstanding the prohibitory Act passed by the Government for

* Ten old Companies' shares are computed to have depreciated 78,000,000*l.* All the shares of Companies sanctioned in 1845, sell now for less, with 25*l.*, 30*l.*, and 40*l.* paid up; then in 1845 with 1*l.*, 2*l.*, or 3*l.* paid: and script shares depreciated 60,000,000*l.* in the 8 months, between 1st September, 1845, and 1st April, 1846.

† The Directors have more than once complained of competition being forced on them, but where is the competition?

‡ Lord Dalhousie was always the advocate of economy, and maintained a preference for the old Companies, but he in 1845 was opposed by the Railway party in every possible manner; the only inference to be drawn from this and the opposition to the present Railway Board is, that the Railway interest (so called) are anxious to destroy every proof of passed transactions.

the protection of the public, in 1844, and limiting dividends to 10* per cent) 68,750 shares, the proprietors of which have been receiving 10% per cent on the sums called, and 5% per cent on the sums not called. 2nd. The Directors of the Midland Company have agreed to guarantee 10% per cent on the Leeds and Bradford Railway, and its extension—a line which had previously been promoted by themselves, and which had been by the most unaccountable means taken out of their hands, and at the time such guarantee was given, was under the control of their own Chairman and his friends, who together held nearly every share. 3rd. The Directors of the North Midland Company agreed to lease the Hull and Selby Railway (which had never professed in the returns made to Government, to have paid the expense of working) at a guarantee of 10% per cent, and to redeem—as the Company chooses to denominate it—the Railway at 2,000,000*l.* when, just previously to such guarantee being given, the total market value of the shares was under 250,000*l.*, that is, the 8,000 50*l.* shares were selling for 35*l.* each, or 15*l.* discount;† and by similar means, the

* The wisdom of this limitation is now obvious, for if Companies found that the declaration of a dividend of 10 per cent, raised shares to 100, 120, and £150 premium, they would if they could (in fact, it was done most frightfully) have declared 20, 30, and £30 per cent. dividend, for the sake of still higher premiums. On reference to the proceedings before Parliament, in the speculative years of 1835 and 1836, it will be seen that the Eastern Counties, Brighton, and other lines, were *all proved* to be 25 and £30 per cent investments: we have now too plainly seen the object of all this. The Canal Companies in most instances are limited to 10 per cent; this is a sufficient return, and the public should be entitled to a reduction of toll, rather than be induced to speculate by prospect of greater returns.

† The Hull and Selby Railway was sanctioned in 1836, and opened throughout 1st July, 1840, being 30 miles in length; at the time of opening it had cost 517,000*l.*, and on 30th June, 1845, the sum credited on the same 30 miles had reached 702,173*l.* The shares sold in 1839 at 15*l.* discount, in 1840 at 10*l.* discount, in 1841 at 7*l.* discount, in 1842 at 10*l.* discount, and in 1843 at 20*l.* discount,—a reference to a share list will test the accuracy.

premiums on new shares issued to the proprietors of the former North Midland shares, have amounted to 250*l.* each, which proved a clear gain to those in the secret; who sold on the one hand, and a dead loss to the unfortunate purchaser on the other. 4th. The Directors of the Newcastle and Darlington Company (now York, Newcastle, and Berwick) agreed to lease the Great North of England Railway (the 100*l.* shares of which Company had, not long previously to such agreement, sold at 40*l.* discount,)* until 1851, at a rent equal to 10*l.* per cent on the 100*l.* shares, and 52*l.* per cent on the 40*l.* shares; and to redeem (as it is termed) the Railway in the year 1851, at 250*l.* for each 100*l.* share; 100*l.* for each 40*l.* share, (on which 5*l.* only is to be called) 75*l.* for each 30*l.* share, and 37*l.* 10*s.* for each 10*l.* share; † in other words, 4,000,000*l.* has been agreed to be given for a Railway, the shares of which were selling a short time previously for 438,900*l.*: that is to say, Directors in one Company have purchased, guaranteed, and leased their own property in another. In 1844 and 1845, the only thought amongst Directors, was (to use their own terms,) how “*to calce*,”—that was, how to propose branches that would appear plausible—the real object being the creation of new shares, in which the Directors took good care of themselves by

* The Great North of England was sanctioned—45 miles and 19 chains in length—in 1836, and was opened throughout in 1842: on 30th June, 1843, the line had cost 1,230,000*l.* and the further sums since credited to the Capital account are very large. The shares sold in 1839 at 15*l.* discount, in 1840 at 3*l.* premium, in 1841 at 14*l.* discount, in 1842 at 25*l.* discount, and in 1843 and 1844 at 40*l.* and 45*l.* discount.

† See the report of the Commissioners on Railways in 1847, No. 164, LXVII., page 3; (this report can be purchased for one penny) yet the Railway party complain that this Railway Board has done no good to the Country, and that the 17,000*l.* paid in 1847 was uselessly expended, why those Commissioners will save 17,000 from ruin and save the country as many millions.

issuing largely to their nominees—generally brokers. These shares they puffed and rigged to large premiums, and immediately sold. In 1846, it was what low-priced railway or canal, could be purchased, amalgamated, or leased, and the shares raised in a few months to double and even treble the previous market value. In 1844 and 1845, everything was premium; in 1846 and 1847, the Directors termed it prize money. If, on investigation, it should be clear that the Railway Companies have in no case paid a fair and honest dividend, but on the contrary, the dividends have been paid by continually charging sums to capital, which should be charged against revenue, then it must be clear to every honest man—to every Englishman who is proud of having his country considered the first in honest dealings—that an inquiry should be instituted. Let us commence then a calm and unimpassioned examination of the affairs of the leading Companies, and see how far any premiums *have ever been justified by facts*. It was notorious in 1845, that shares were raised to very high premiums in the worst bubble Companies; so that, however gratifying it may be to sellers to receive large premiums, yet premiums alone cannot be taken as a test of value. The general speculations of 1845, arose from the ignorance of the public in Stock Exchange manœuvres, they mistook the quoted prices for actual value; these market prices were only maintained as long as Directors, and Provisional Committee-men had shares to sell, and a High Sheriff (a broker) confessed, when in a witness-box, that he had been engaged by several Companies to rig their shares.*

* The difference in price, in *Scrip shares alone*, between 1st September, 1845, and 1st April, 1846, (eight months) is stated to have been 60,000,000*l.* sterling.—Railway Record, 31st October, 1846. Observe, the new Eastern Counties guaranteed six per cent shares, they were brought out with a pre-

LONDON AND NORTH WESTERN.

The London and North Western Company stands first in point of length, as also in traffic receipts; and as at present constituted, is an amalgamation of the Liverpool and Manchester, the London and Birmingham, the Grand Junction, (which had previously amalgamated with, and included the Warrington and Newton, the Chester and Crewe, and Bolton and Leigh,) and the Manchester and Birmingham Railway Companies.

It will be necessary here to draw attention chiefly to the Capital Account, or more properly to the constant credit to Capital; and first of all is the item of "total main lines."—The main lines have all been open some years,—the first portion between Liverpool and Manchester was opened on the 15th September, 1830, the last portion between Manchester and Birmingham on the 10th May, 1842; now one would suppose that the lines which had been opened for so many years would require no further outlay; the contrary is the fact, those main lines at the periods of opening, had cost (as appears by the respective accounts) 9,763,362*l.*, the parliamentary estimate having been 5,148,000*l.* The same mileage stands credited in the first account after the amalgamation, as having cost, namely, to the 1st January, 1846, (the account being made up to 31st December, 1845) 13,457,341*l.*; and two years after the same item (namely, in the last account made up to 31st December, 1847) has reached the enormous sum of

mium, with only 2*l.* paid, the same rate of interest was declared, namely, at the rate of 7*l.* per cent. the first, and 5*l.* per cent. the second previous half year, on the old shares, wholly paid up, which are now selling at 6*l.* discount. The premium on these new shares is obtained to induce shareholders to take the shares up. Some severe remarks might with justice be made on the Traffic Returns of the Eastern Counties Company.

14,440,813*l.*;* it appears therefore by the accounts, that the main line has required a continuous credit to capital many years after the whole had been completed, amounting to nearly one million per annum, or in the last two years 1,983,472*l.*, (not including the 562,789*l.* credited to the Euston Station and Liverpool improvements, nor the 964,762*l.* or the 1,237,500*l.* of fictitious capital,) and of this enormous outlay no less than 489,589*l.* is credited as expended in a six months, which is described in the Company's report as "a season of extreme stagnation and unprecedented difficulties."† Can a Railway be said to be a security when it is only to be worked by so continuous a credit of capital! but this is only one little feature in Railway management. Let us take a review of the whole system from its commencement.

The idea of a Railway like most other inventions was taken from something previously in use, which had been dictated either by necessity or convenience; thus, we find that Roger North, describing a visit which his brother Lord Guildford made at the end of one of his circuits to Newcastle,

* The correctness of the figures can be tested by reference to the accounts published in the Railway Papers, or by an examination of the half yearly accounts circulated among the proprietors; and the 14,440,813*l.* does not include as insinuated at the two last meetings, either the improvements at the Euston Station, or the extension at Liverpool, a sum exceeding half a million, (562,789*l.*) being credited elsewhere (see Numbers 14 and 30 in General Detail,) for those works; nor any portion of the fictitious capital given as a bonus. (964,762*l.* to Grand Junction, and 1,237,500*l.* to London and Birmingham.)—See Capital Account, Appendix, Accounts I. and II.

† The arrears of calls this half year amounted to £383,523, see Appendix 1, Account II. It is worthy of remark, that the dividend and capital account both fell off at the same period. Some Companies are now making calls payable just before the dividend, and the dividend is not payable on any shares till the call is paid on the others held by the same persons. A proprietor lately declared, that for every £1 received on dividend from one of the oldest Companies, he had paid £5 in calls.

states, that amongst the curiosities of the region were "Way leaves," then in general use in the Collieries for economising the expense of conveying the coals from various coal pits to the nearest wharfs for shipping, and he describes the manner in which the wooden planks were laid for the wheels of the trucks to run on, and, the surface being smooth, one horse was enabled to pull the load of two or three; this was about the year 1676.* "Way leaves" were first confined to the coal districts in the north of England, but, about the middle of the last century as the iron works of Shropshire and Staffordshire developed themselves, some of the coal miners of the north were induced by the owners of mines and the iron masters of these more southern districts to migrate south, and these colliers with their mining knowledge also brought the economising plan adopted in the north for the conveyance of heavy and continuous traffic over a given spot, and thus by degrees these "Way leaves" became universal in the neighbourhood of mines, quarries, and lime kilns, and in some instances were even laid down for the conveyance of Coal some distance inland. About the year 1760, the continual wear of the wood and the gradual increasing expense of procuring it, suggested the plan of iron plates, being generally nailed over the surface of the wooden plank, and by degrees the solid iron was entirely substituted. The iron, however, was differently shaped from that of the present day, the rail at present used is literally a rail of iron, but that formerly in use was a plane, sunk a few inches beneath the road way, the wheels ran on the smooth surface and were prevented running out of the proper track by the raised sides, at present the rails are raised above the road way and the

* Life of Lord Keeper Guilford, vol. 1, p. 26 5.

projecting part of the inner side of the wheels keeps the carriages in their proper course, the name universally given to these level or sunken tracts of iron was *Tramroad*, and so common had these Tramroads become, that in 1811 they extended to a length of not less than 150 miles in South Wales alone.

In 1821 an act was passed for authorising a Tramroad between Darlington and Stockton, and that appears to have been the first line projected for the conveyance of passengers, as also the first promoted by a Company, all the previous "Way leaves" and "Tramways" had been made by one or a few proprietors, solely for their own convenience to economise labour. This Darlington and Stockton line was opened for Coal traffic in 1823, and for passengers' traffic on the 27th September, 1825, and was intended at its formation, and was for many years worked in the old method by horses, the line, however, with its various branches has gradually become exclusively devoted to the conveyance of Coal from the Coal pits of Durham to Stockton, and from the shares having fallen into a few hands, the whole has assumed the appearance of a private undertaking, the Directors refusing even to publish their accounts or receipts.

We now come to the consideration of the progenitor of all our present Railway Schemes, for from the success, or supposed and boasted success of this Railway, sprang all our present companies, that is, the Liverpool and Manchester Railway, and it is curious to observe that the Company, which laid the foundation for the extraordinary madness of 1845 should have originated in a year equally fertile in bubble projects. Of the two hundred and sixty-four new Companies formed in a short space of time, in the years 1824 and 1825, and requiring according to the estimates set

forth in the prospectuses 372,173,100*l.*,* fifty-four were for making Canals and Railroads, and only one survived the panic of 1827, and that was the Company formed for making the Liverpool and Manchester Railway, and strange it is, that that Railway has been the means of resuscitating manias as general in effect, as unprincipled in execution, and even more direful in consequences, than that in which it had had its birth.†

The Liverpool and Manchester Railway Company was projected in the memorable year of 1825, and an act was passed in 1826, incorporating a Company “for making, and “maintaining a Railway or Tramroad, from the Town of “Liverpool to the Town of Manchester, with certain branches “therefrom, all in the County of Lancaster,‡” and authority was given by the same act for raising 510,000*l.* by 5,100 Shares of 100*l.* each, and to borrow 127,500*l.* The Parliamentary estimate amounted to 510,000*l.* The chief object of

* The Railway Companies registered to October, 1845, numbered 1,428, and by the prospectuses issued, it appeared that the promoters *only wanted* 701,243,208*l.* (see list and particulars in Times of 17th October, 1845.) The *Share Capital* raised by all Railway Companies, and expended on opened lines, to June, 1845, appears to have been 48,043,563*l.* or 11,000,000*l.* less than the expenditure sanctioned to the Companies with which the London and North Western Company were connected at the end of the session 1847.

† So many bubble Companies were formed in 1836, on the much boasted success of the Liverpool and Manchester Railway, that Government was obliged to interfere, and the Parliamentary deposit was raised from 5 to 10*l.* per cent. The effect of this mania was severely felt in 1839. The effects of the 1845 mania is now felt in proportion to its violence, and no one knows when or how it will end, or its ultimate effect.—The overthrow of the French Government was hastened by the corruption of its members—a corruption which had no bounds in the Railway mania, and which could not afterwards be reduced to moderation.

‡ 7 Geo. 4, c. 49, 5th May, 1826. The Bolton and Leigh Railway was sanctioned the year previous, but that was a very short line projected for the conveyance of goods in conjunction with the Leeds and Liverpool Canal.

this Railway was the transit of heavy merchandize at a moderate speed, and for several years after the passing of the act of Parliament it was not determined by what power to work the line, as, however, the works progressed, and it became necessary to adopt some decisive plan, the Directors in 1829 advertised and offered a premium of 500*l.* for the best Steam Engine to perform certain objects, and Mr. Robert Stephenson was the successful candidate out of four competitors; it was this new system of propulsion by locomotives which gave the new feature to Railways.

The estimated expense of the Liverpool and Manchester Railway was 510,000*l.* and the length (omitting the branches which were never made) 31 miles, the line was opened throughout on the 15th September, 1830,* at that period the cost had exceeded the estimate by about 190,000*l.*, the expenditure having been a little above 700,000*l.* On the 31st Dec. 1836, the expenditure had reached 1,266,969*l.*, that being six years after it was opened throughout. In December 1840, being ten years after it had been opened, the expenditure had reached 1,430,304*l.* and at the period of amalgamation with the Grand Junction Railway in the year 1844, the actual sum credited to the Capital account as expended, amounted to between 1,600,000*l.* and 1,700,000*l.*, and so important is it, to bring attention to this continual outlay (which, notwithstanding the ten per cent. dividends declared, is of so suspicious and important a character—important, because the sums credited to this continual outlay is equal to, or exceeds the dividends, except in cases where the Directors have had opportunities of dipping into capital and crediting it to

* This day will long be remembered, the ever to be lamented Mr. Huskisson having fallen a sacrifice during the first excursion,—he was knocked down by an engine, and only survived a few days.

branches or extensions) that the reader is troubled with the following evidence given by Mr. Booth, on 31st June, 1846, before the Committee on the Railway Acts Enactments.

- Question 2229. "To Mr. Booth:—What situation do you
 "hold? I now hold the office of Secretary to the
 "Grand Junction Company, I was Manager of the
 "Liverpool and Manchester Company."
2230. "What is the length of that line? About 31 miles."
2231. "What was the original estimate for it? The original estimate that we went to Parliament for was
 "516,000*l*."
2232. "Was that the first application to Parliament? No,
 "the second, the present line is a different line from
 "the first; the first failed."
2233. "The second line was through Chat Moss? Yes."
2234. "What was the actual cost? The actual cost up to the
 "time we joined the Grand Junction, was between
 "1,600,000*l*. and 1,700,000*l*."
2235. "When the line opened, when it was complete,
 "what was the cost as compared with the original
 "estimate? There have been so many additions made
 "as regards the different approaches to the towns of
 "Liverpool and Manchester, and increased station
 "room and enlarged warehouses, the first estimate
 "was altogether fallacious; we have almost forgotten
 "the different increments by which it was swelled up
 "to its present amount. In 1844, only two years ago,
 "we laid out 250,000*l*. in making a new approach at
 "Manchester, and a new station, which of course forms
 "part of the total."
2236. "In your original application to Parliament, you took
 "powers to raise 500,000*l*.; all, therefore, that has

“been expended from that time to the time of your
 “amalgamation with the Grand Junction, must be
 “considered as additional capital raised from time to
 “time by new shares under different Acts of Parlia-
 “ment? Yes, we have obtained nine Acts of Parlia-
 “ment.

2237. “Was the Liverpool and Manchester connected by
 “amalgamation with any other line? (meaning before
 “it joined the Grand Junction) No.”

2238. “Have the Company ever subscribed to any other
 “lines? No.”

2239. “They have no branches? No.”

2240. “So that the additional capital was applied to the im-
 “provement of the line? Yes, to the different works
 “in the neighbourhood of Liverpool and Manchester,
 “fresh tunnelling, fresh stations, and fresh approaches”

2241. “Were the new shares that you issued at par? Yes.

2242. And the premiums upon the shares were not less than
 “about cent. per cent.? No, not for several years;
 “since we have paid ten per cent.

It is necessary to pay particular attention to this Railway because it was the first worked by steam *locomotive* power, all the previous Tramroads or Railways had been worked by horses or *stationary* steam engines only.

The reader will be naturally anxious to know something more about this continuous outlay; for, from Mr. Booth's evidence, it would appear that the Railway had cost 700,000*l.*, or 23,000*l.* a mile, and the increased station room and warehouses after the Railway was completed, 1,000,000*l.*; so that, as regards expenditure, the Railway was *quite secondary*. In 1830 (the period at which the line was opened) 637,500*l.* of capital, and 227,500*l.* of loan, making a total of 865,000*l.*, had been authorised to be raised by three

Acts of Parliament :* of the loan 100,000*l.* was lent in 1827, under the sanction of Government by the Exchequer Loan Commissioners; but, with the opinion then existing on Railways, it was found impossible to borrow the remaining 127,500*l.* Between the years 1830 and 1846, six additional Acts† were obtained by the Company,

	CAPITAL.	LOAN.	TOTAL.
*1. 7 Geo. c. 49, 5 May, 1826. An Act for making and maintaining a Railway or Tramroad from the Town of Liverpool to the Town of Manchester, with certain branches therefrom, all in the County of Lancaster	510,000	127,500	637,500
2. 7 and 8 Geo. 4, c. 21, 12 April, 1827. An Act for amending and enlarging the powers and provisions of an Act relating to the Liverpool and Manchester Railway	—	100,000	100,000
3. 10 Geo. 4, c. 35, 14 May, 1829. An Act for enabling the Liverpool and Manchester Railway Company to make an alteration in the line of the said Railway, and for amending and enlarging the powers and provisions of the several Acts relating thereto	127,500	—	127,500
	637,500	227,500	865,000
†4. 1 Wm. 4, c. 51, 22 April, 1831. An Act for amending and enlarging the powers and provisions of the several Acts relating to the Liverpool and Manchester Railway	159,375	—	159,375
5. 2 Wm. 4, c. 46, 23 May, 1832. An Act for enabling the Liverpool and Manchester Railway Company to make a Branch Railway, and for amending and enlarging the powers and provisions of the several Acts relating to such Railway	398,400	200,000	598,400
6. 7 Wm. 4, c. 24, 5 May, 1837. An Act for enabling the Liverpool and Manchester Railway Company to raise more money, and for amending and			

(making, in the whole, nine) the first, in 1831, merely authorising 159,375*l.* of additional capital; the second, in 1832, authorised 398,400*l.* of capital, and 200,000*l.* of loan *for making branches*; the third, in 1837, authorized 400,000*l.* of additional loan; the fourth, in 1839, was for enabling the Company to extend its line, and authorised 208,000*l.* of loan; the fifth, in 1842, was for better enabling the Company to extend the line; and the sixth, in 1845, authorized certain branches, 805,000*l.* of capital, and 268,333*l.* of loan. Here we see that both branches and extensions had been authorised, and if we refer to Mr. Booth's evidence, we find that not-

enlarging the powers and provisions of the several Acts relating to the said Railway	CAPITAL.	LOAN.	TOTAL.
7. 2 Vic. 4, 41, 14 June, 1839. An Act to enable the Liverpool and Manchester Railway Company to extend the line of the said Railway, and for amending and enlarging the powers and provisions of the several Acts relating to such Railway	—	400,000	400,000
8. 5 and 6 Vic., c. 108, 30 July, 1842. An Act for enabling the Liverpool and Manchester Railway Company to extend the line of the said Railway, and for amending and enlarging the powers and provisions of the several Acts relating to such Railway	—	208,000	208,000
9. 8 and 9 Vict. 123, 21 July, 1845. An Act to enable the Liverpool and Manchester Railway Company to extend and enlarge the said Railway, and to make certain Branch Railways, and for amending and enlarging the powers of the several Acts relating to the said Railway	1,195,275	1,035,500	2,230,775
	805,000	268,333	1,073,333
	£2,000,275	1,303,833	3,304,108

withstanding the branches and extensions were never made, still considerably more than the share capital authorised, on 30th June, 1845, (the ninth Act not having passed till after that date,) was not only raised but credited as expended on the old line: and on referring to the two last accounts published by this Company as an independent Company, and taking first, that made up to the 31st December, 1844, and presented to the Meeting held 30th January, 1845,* it will be seen (eight Acts having been passed at that time, authorising 1,195,275*l.* of capital, and 1,035,500*l.* of loan,) that the joint capital in shares and loans then received by the Company amounted to 1,702,125*l.*, and that the expenditure credited to the line had then reached 1,698,628*l.* and on referring to the next account made up to the 30th June, 1845, and presented to the Meeting held 30th July,† it will be seen that the sum credited on the same line had increased in the half year to 1,774,331*l.*, being an increase of credited expenditure in the six months amounting to 75,703*l.*; and on further examination, it will be seen that notwithstanding the revenue account is made to show a net profit during the half-year, of 68,514*l.* still dividends were declared amounting to 73,144*l.* (being an addition—which was lauded at meetings and repeated in newspapers—of 9,000*l.* over the previous half year,) and as 75,703*l.* had been credited to the line, (and no fresh capital having been received) during the half year, the only assets shown in the account to pay the dividend, was

* The accounts, reports, and speeches, will be found reported in the 8th vol. of the *Railway Times*, page 114; that is, in the No. of 1st February, 1845—in Gore's *Liverpool Advertiser* of 31st January, 1845, and also in the *Railway Papers* of the same date.

† Full details will be found in the *Railway Times* of 2nd August, 1845 page 1180.

24,175*l.* 0*s.* 1*d.* of book debts, and nothing in hand!* But this is a mere trifle,—for we find that 10 per cent dividend was declared on the 12,090 new 40*l.* shares, on which a 2*l.* deposit had been called, or rather retained from the dividend declared at the previous half yearly meeting,† deducting 2½ per cent, or at the rate of 5*l.* per cent per annum only for the 38*l.* uncalled, and so in effect declaring a dividend of 2*l.* 6*d.* for the six months on 2*l.*; or an interest at the rate per annum of cent per cent, and four per cent over; (sum paid 2*l.* dividend declared in the year, 2*l.* 3*s.*) By this means, these new shares readily sold in the Liverpool Share Market to the uninitiated public, to pay what they considered 4 per cent. that is, in the month following the Meeting, with 4*l.* called (an additional 2*l.* having been retained) at 40*l.* premium,

* The accounts are remarkable, and they are given that the text may be better understood.

REVENUE ACCOUNT.

Total receipts for the half year ending 30th June, 1845	...	134,124
Do. working expenses, as per Company's account, do.	..	65,610
Nett profit, as per Company's account	... ..	<u>£68,514</u>

CAPITAL ACCOUNT.

Amount of joint capital in shares and loans	... ..	1,711,005
Do. dividends not paid	... ..	988
Do. reserve fund and interest	... ..	2,899
Do. surplus after payment of 29th dividend	... ..	15,099
Nett profit for the half year ending 30th June, 1845 (see above)		68,514

Total receipts... £1,798,505

Amount of expenditure on the construction of the ways and works	... ..	1,774,330
Balance of book debts due to the Company	...	94,175
Total	... ..	<u>£1,798,505</u>

† See the Note appended to Report presented to the Meeting of 30th January, 1845, in *Railway Times* of 1845, page 114.

and in September, at 42*l.* and 43*l.* premium. The next question is, how was the dividend paid, with only 24,175*l.* of book debts!—that is difficult to answer, but we can account for the proprietary being perfectly content, for the dividend declared, at 10 per cent on all the shares of the Company, would amount to 73,144*l.*, whereas the *premiums* on that one batch of new shares, in 1845, reached near seven times that amount, or 507,780*l.*—a sum only a few pounds short of the original estimated cost of the entire railway. In fact, the account itself shows that no dividend whatever should have been declared, for the concern was worked by an outlay during the half year greater by 7,189*l.* than the receipts. The net profit represented by the accounts amounted to 68,514*l.*, while the additional outlay reached 75,703*l.* But only see how plausible the accounts look—a *reserved* fund of 2,899*l.*: and a balance after payment of 29th dividend, 15,099*l.*! Why, Mr. Rice Harris, of Birmingham, whose estate under the Court of Bankruptcy (see Gazette of 1st May, 1847,) lately declared a dividend of three thirty-seconds of a penny in the pound, might with equal justice have kept similar entries in his books, for the same account shews that the line had required more than they had received, and that there was no such fund, except in imagination, which must have been pretty well the same in Mr. Rice Harris' case. One however, had a constant addition of partners, with fresh capital; while the other had no resources but those which generally fall to the lot of a tradesman.

This Railway which has been held up to the world as the greatest of modern inventions, and the best and safest of investments, was opened at an expense of a little more than 700,000*l.*, or 23,000*l.* a mile, including the working stock, and was worked from 30th September, 1830, to 31st December, 1844, (fourteen years and three months,) with

an addition to capital amounting to 998,628*l.* and during the following six months at an increased addition of 75,703*l.*,* or 7,189*l.* beyond the represented profits; and notwithstanding which, and with only book debts of 24,175*l.* out of which to pay dividends—dividends were declared amounting to 73,144*l.*

The following were the Shares issued by the Company :—

1824.	5,100	Shares of £100 each,	Receipts.....	510,000
1829.	5,100	do. 50 „	do.	127,500
1831.	6,375	do. 25 „	do. ...	159,375
1837.	7,968	do. 50 „	do.	398,400
„	549	do. 25 „	do.	13,725
1845.	12,090	do. 40 „	do.	48,251
Receipts on Shares at period of amalgamating with ———				
the Grand Junction				1,257,251
Loans				500,000
				<u>†£1,757,251</u>

So that all the share capital authorised for the branches and extensions, as well as 48,251*l.* a part of the capital authorised in 1845, for further branches; and 17,089*l.* of represented profit had been credited as expended on the main line—31 miles—and the branches and extensions for which the capital was authorised, were never made.

Between the years 1830 and 1836 a great variety of opinions existed on the success of the first locomotive Railway; during the first five years, however, 24 Railway Acts passed,

* The additional sum credited to capital, between the period of opening and the year 1845, amounted to 1,074,331*l.*

† It was stated by the Company that their debt at no time exceeded 500,000*l.*—Report of Commissioners of Railways, 164, XLIV. page 7.; and in this sum was included the 100,000*l.* lent in 1827, by the Exchequer Loan Commissioners, of which 5,900*l.* was due, in May, 1847.

in 1836 there were so many bubble Companies that the House of Commons found it necessary to pass a standing order, requiring a deposit of 10/ per cent. which successfully checked the mania, but 29 Railway Acts passed in that year, and 15 in 1837, after this, Railway shares were in low repute and from gambling premiums fell to great discounts, and a lull in Railway speculations followed. In 1842 it revived, and in 1843, 24 Railway Acts passed, in the year 1844, about 66 Acts passed, in 1845, 109, in 1846, 287, and in 1847 190.

The Railways sanctioned at the end of the Session of 1847 in the United Kingdom numbered 11,792 miles, of which rather more than 3335 miles are opened. The sums expended, or authorized to be expended* previous to 1845 amounted to 143,838,600*l.* and the expenditure authorised by the acts of 1845, 1846, and 1847 alone amounts to 231,691,022*l.* †

* The words "expended or authorized to be expended," are made use of, because many of the Railway Companies raised very large sums of money without legal authority, by way of loan; they first borrowed on debentures the sum authorized, and then obtained further sums on loan notes—these loan notes were not, at the time of their first introduction, a legal security, and previous to the Act legalizing them, the lender had no remedy whatever for the recovery of his money, and of all this the public generally were ignorant, until the "Times" newspaper brought the subject before the public in 1843, on which the Government introduced the 7 and 8 Vict., c 85, legalizing the loan notes, and binding the Companies to pay them off. These loan notes first introduced the practice, since become too prevalent, of sending securities to Brokers and Country Bankers to sell; thus, if the lowest sum to be taken for 1,000*l.* security was 800*l.*, and the Broker or Banker prevailed on a customer to give 1,000*l.*, he pocketed 200*l.*, or if 900*l.*, he pocketed 100*l.*, and so in proportion, and the difference must be credited some where. In one instance, during the late autumn 10,000*l.* of debentures were offered at 4,000*l.*, in a line which, from the *notoriety* of the Chairman, has been spoken of in the highest terms.

† The following is taken from the return moved for each year by Mr. Moffatt.

	Capital.	Loan.	Total.
1845	£44,741,200	£14,872,326	£59,613,526
1846	90,298,430	42,319,938	132,617,368
1847	25,695,257	13,764,871	39,460,128
	<u>160,734,887</u>	<u>70,956,135</u>	<u>231,691,022</u>

the total authorized expenditure for Railway construction at the end of the Session of 1847 was 375,529,622*l.* of which, about 150,000,000*l.* has been raised*—not half the present sanctioned expenditure; surely the affairs of the older Companies should be examined before going on further with this outlay, which, in fact, is found—as in the Liverpool and Manchester Railway—to have no ending, for it will be seen hereafter, that the finished lines are continually requiring more to be expended, or at least credited to capital, than the Companies profess to earn.

The present London and North Western Railway Company was formed by an amalgamation agreed to, 7th November, 1845, of the Manchester and Liverpool, the Grand Junction, the London and Birmingham, and the Manchester and Birmingham Companies. The first completed portion of this Company's Railway was that between Liverpool and Manchester, opened 5th September, 1830, already referred to. The London and Birmingham, the Grand Junction, which (from previous amalgamations) included the Warrington and Newton, the Bolton and Leigh, and Kenyon and Leigh Railways, were opened throughout in 1838; the Chester and Crewe (also a portion from a previous amalgamation of the Grand Junction) was completed in 1841, and the Manchester and Birmingham in 1842. These Railways, together, without any branch or extension, form the item of

* It is curious to observe the progressive increase in the expenditure on Railways. There is no certain account of the expenditure between 1826 and 1841, but as far as can be collected, it was about 45,000,000*l.*, making an average of 3,000,000*l.* a year. The Chancellor of the Exchequer in a speech delivered on the 26th November, 1847, stated that, from the calculation of the Railway Board, the estimated expenditure in 1841, was 1,407,000*l.*—in 1842, 2,980,000*l.*—in 1843, 4,435,000*l.*—in 1844, 6,100,000*l.*—in 1845, 14,100,000*l.*—in 1846, 36,485,100*l.*—and in the first half of 1847, 25,700,000*l.*

"main line" in the London and North Western Company's Accounts; and the following table will show, 1st, the original estimates; 2ndly, the sum expended six months after the opening throughout; and 3rdly, the progressive sums since credited to capital as expended.

NAME.	Original Estimate.	Expenditure when Completed.	Expenditure on Dec. 31, 1847
	£	£	£
Manchester and Liverpool ...	510,000	700,000	
London and Birmingham ..	2,500,000	5,018,816	
G ^d . Junction, Warrington and Newton, Bolton & Leigh, &c.	1,188,000	1,948,057	14,440,813
Chester and Crewe.....	250,000	258,025	
Manchester & Birmingham *	700,000	1,838,404	
Totals.....	5,148,000	9,763,302	14,440,813
Nominal increase made in favour of Grand Junction Proprietors, and participating fully in dividend			964,762
Nominal increase in favour of the London and Birmingham Proprietors, and on which 5l. per cent is paid†.....			1,237,500
			16,643,075

* The original Act authorized about three times the number of miles the estimate for 95 miles was 2,100,000l, only 31 miles were constructed.

† Independent of the nominal increase given to the Grand Junction Proprietors, the London and Birmingham Company allotted 68,750 shares, on which 10l. per cent. was paid, on 137,500l. the amount called, and 5l. per cent. on 1,237,500l. which is not to be called up, thus the Company is as it were liable to a rent charge of 61,875l per annum, which increases the virtual cost to 16,643,075l. This allotment was made in 1845, and it is impossible to ascertain what proportion of these shares went to the directors or nominees. The premiums at the time of issue exceeded 1,375,000l! and the sums credited as profits on shares sold by the Company amounted, on one or two occasions to 8 or 9000l. only.

We here see that the original estimates of the Railways, including plant, now forming the main line of the London and North Western Company, was 5,148,000*l.*, we next see that the expenditure at the periods when opened throughout, amounted to 9,763,302*l.*; and that on the 31st December 1847, the further sum credited to the same mileage was 14,440,813*l.* not including a sum credited elsewhere exceeding half a million, to the stations, nor a nominal sum, entitled to participate equally in dividend, amounting to 964,762*l.*, nor a charge of 5*l.* per cent in perpetuity on 1,237,500*l.** The main line is, therefore, at present credited as having virtually cost 16,643,075*l.*, without the 562,000*l.* credited to London and Liverpool Stations.

* Report of the Commissioners of Railways, 164, XLIV. p. 10 & 9. The holders of the 20*l.* shares issued by the London and Birmingham in 1845, on which only a deposit of 2*l.* has been paid, receive 10 per cent on 20*l.*, less 5 per cent on 18*l.* the amount remaining unpaid; or 10 per cent on 2*l.* and 5 per cent on 18*l.* The Grand Junction stock received a nominal addition of 964,962*l.*

Very full details of the London and North Western Railway Company's affairs are given—at the earnest request of numerous correspondents—in an Appendix to this work, which may be had of the publishers, It is a publication essentially necessary to all interested in Railways, both English and Foreign, as it fully explains the system on which Companies have been managed; the price is ONE SHILLING.

MIDLAND RAILWAY.

This is the next Railway in point of length, and the Company, as at present constituted, was formed in 1844, by the amalgamation of the North Midland, the Midland Counties, and the Birmingham and Derby Railway Companies.

The original estimate of the North Midland Railway in 1836, was

way in 1836, was	£1,499,100
Do. Midland Counties ditto	1,000,000
Do. Birmingham and Derby Junction ditto ...	622,800

Original Estimate, including Working Stock £3,121,900

The North Midland Railway was commenced and completed under the auspices of the present Chairman of the London and North Western Company in 1840, and at that time it had cost*..... £2,929,696

The Midland Counties Railway was also completed

in 1840 for	1,525,000
Birmingham and Derby was opened in 1842,	
the expenditure having been.....	1,143,299

Cost at opening, including Working Stock..... £5,597,995

On the 30th June, 1844, the sums credited to capital had increased, without any additional mileage, as follows:—

The North Midland to.....	£3,329,932
Midland Counties	1,708,170
Birmingham and Derby.....	1,206,644

Cost in 1844, including Working Stock £6,244,746

From the year 1844, there is much difficulty in dealing with this Company. We find by Mr. Hudson's evidence

* These sums are taken from the accounts a year after the date of opening throughout, some time being allowed for the adjustment of disputed accounts.

given before a Committee on the 14th July, 1846,* Question and Answer 3255, that the above three Railways (without any additional mileage), to 30th June, 1846, had cost 6,581,233*l.*, being an increase of 336,487*l.*, in the two years, and as the money had been raised at a discount of 600,000*l.*,† dividend or interest was payable on 7,180,000*l.* of share capital, and loan. We also find by the same question and answer, that the Midland Company had some time before agreed, and had since received power by an act of Parliament, to lease the Birmingham and Gloucester, and the Gloucester and Bristol Railways, at a rent equal to 6*l.* per cent. on 1,800,000*l.*, to take upon themselves the debt, and to pay the rent of 18,500*l.* a year due to the Great Western Company for the portion of the Railway between Standish and Gloucester.

The accounts of these two Companies have not been published for the last two years, but the line was opened between Birmingham and Gloucester in 1842; and the sum then expended was £1,244,545

The line from Gloucester to Bristol was opened throughout in 1845, at which time the sum expended appears to have been..... 667,822

Total at period of opening £1,912,367

The sum expended on 30th June, 1846, appears by a return made to the Select Committee on Railway Acts Enactments, as follows: —

* Minutes of evidence taken before the Select Committee on Railway Acts Enactments.

† The discount actually amounted to 627,364*l.* at the time Mr. Hudson gave his evidence.

BIRMINGHAM AND GLOUCESTER.

	£	s.	d.
Cost of Land	*£180,656	7	8
Engineering.....	47,559	4	3
Parliamentary Expenses.....	27,077	2	8
Rails.....	£182,894		
Other Works	799,678		
	<u>982,572</u>	12	0
Carriages, Engines, Trucks, &c.	121,470	12	6
	<u>£1,359,335</u>	19	1

BRISTOL AND GLOUCESTER.

Main Line Bristol to Standish, 30 miles.†

Total Cost of Construction 707,874 0 0

Expended to 30th June, 1846 £2,067,209 19 1

The accounts of the Birmingham and Gloucester and the Bristol and Gloucester, since 30th June, 1846, have not been published in any of the Railway papers, and therefore, we cannot see the amount since credited to capital. On the 5th Jan. 1847, a call of 2*l* was made on 7,539 50*l*. shares, and on the same day became due a call of 3*l*. 14*s* 6*d* on 7,539 37*l* 5*s* shares; these calls would produce 43,161*l*. and similar calls were made payable on 5th July, 1847, and on the 1st January, 1848, these calls every half year are about sufficient to pay the guaranteed dividends on these two Companies' shares, and as no mention is made of any dividend paid to those Companies in the Midland Company's Revenue Account, we must suppose it used for that purpose.‡

* This would make an average of 330*l*. an acre.

† That portion between Standish and Gloucester belongs to the Great Western, and is rented, together with a portion of the station, at 18,500*l*. a year—that rent is to be increased in a few years 1,000*l*. a year.

‡ A hasty inspection of the accounts would convey the idea that the Birmingham and Bristol expenditure was included in the 9,853,761*l*. credited to

The sum of 200,000*l.* is also expended on the Sheffield and Rotherham Railway, about 50,000*l.* being borrowed and 150,000*l.* raised on shares on which 6*l.* per cent is guaranteed, and this expenditure does not appear to be included in Midland Company's account.

The Leicester and Swannington Railway was opened in 1832, the length being 16 miles, and the cost 10,000 a mile. In 1843 the expenditure had reached 175,000*l.* and 8*l.* per cent. is guaranteed on 2,800 shares, of 50*l.* each, on which 140,000*l.* is paid, and this expenditure is not included in the Midland Company's account.

The Leeds and Bradford Company have expended 1,093,403*l.* and the Midland Company have guaranteed (that is, as soon as the line is opened from Skipton to Colne) 10*l.* per cent on the share capital, and this expenditure is not included in the Midland Company's capital account.

The last account (to 31st Dec. 1847,) of the
Midland Company, showed an expenditure
on the Midland Railway and its branches
amounting to..... *£ 9,853,761

capital in the last account presented to the Midland Proprietors, but a retrospect of the Midland Company's accounts commencing 31st Dec., 1844, at once shews the fallacy.—See next note.

* This sum is made up as follows :—

Amount credited as expended on the North Midland, Midland Counties, and the Birmingham and Derby Railways, at the period of amalgamation, June, 1844, (exclusive of nominal 600,000*l.*) £6,244,746

Additional sums credited to these lines under the head Land and

Rails, &c., to 31st Dec., 1845	345,761
Do. to 30th June, 1846, under the head Waggon, Works, and Rails, &c.	355,796
Do. „ 31st Dec., 1846, do. do.	419,922
Do. „ 30th June, 1847, do. do.	465,189
Do. „ 31st Dec., 1847, do. do.	706,842

Total sum credited to the North Midland, Midland Counties, and Birmingham and Derby Railways Carried forward 8,538,256

Brought forward...	£9,853,761
The last published account of the Birmingham and Bristol Railway, i. e. to the 30th of June, 1846, showed an expenditure of	£2,067,206
The last published account of the Sheffield and Rotterham Company i. e. to June 1843, showed an expenditure amounting to	200,000
The last published account of Leicester and Swannington Company i. e. to June 1843, showed an expenditure amounting to	175,000
	<u>£12,295,967</u>
To this sum should be added the nominal capital on which dividend is payable	600,000
	<u>£12,895,967</u>
To which should be added the Leeds and Bradford expenditure	1,093,403
	<u><u>Total £13,989,370</u></u>

Brought forward...	£8,538,256
NEW LINES.	
Parliamentary Expenses and Law	83,835
Syston and Peterborough Branch	330,869
Nottingham and Lincoln	209,617
Erewash Valley	105,712
Leicester and Swannington <i>Extension</i>	101,142
Nottingham and Mansfield	4,742
Sheffield and Manchester Junction	15,100
Purchase of Ashby Canal (query, whose property?)	109,900
Do. Oakham do. do.	26,000
Subscription to Manchester, Sheffield, and Lincoln Railway	21,075
Do. „ Manchester, Brighton, and Matlock do.	29,925
Do. „ South Staffordshire do.	14,550
Do. „ South Devon do.	60,000
Interest paid out of Capital on new shares	152,624
Cost of Electric Telegraph	49,414
Total charge to Midland, not including Birmingham and Bristol, Sheffield and Rotherham, Leicester and Swannington, Leeds and Bradford, &c.	<u><u>£9,853,761</u></u>

The Birmingham and Gloucester accounts have not been published since the line was leased by the Midland Company, the Bristol and Gloucester accounts have not been published since 1845, nor have the other Companies' accounts for many years, with the exception of the Leeds and Bradford.

The following are the calls made on the shares, and the amounts paid up to Jan. 1847, as appears by the Report of the Commissioners on Railways.*

Midland Consolidated Stock, Receipts on the 120,695 Shares	£4,531,402
Sheffield and Rotherham 6½ per cent. { 4000 Shares of 25/ { 4000 do. 12/ { 10s }	150,000
Leicester and Swannington 8 do. do. 2,800 do. 50/ Bristol and Birmingham 6 do. do. shares viz. —	140,000
9,374 100/ 8,189 25/ 7,539 50/ 7,539 37½	100/ do. do. do.
called £937,400 25/ 36/ 11¼	do. do. do. do.
	204,725 271,404 83,871
	1,497,400
53,293 New Midland Shares of 40/ 2,900 Erewash Valley Shares, 6½ per cent. guaranteed, 50/ each, 37½ 10s called	1,213,720 117,300
77,323 Extension Shares, 5 per cent. guaranteed till 1st January, 1852, 15/ called	 1,159,845
Amount of share capital called to March, 1848..... The Loan	9,727,667 2,680,389
	12,408,056
Fictitious sum entitled to dividend	600,000
	13,008,056
To this should be added the expenditure on the Leeds and Bradford, on which 10½ per cent. will be shortly payable on 900,000/ and Int. on its remainder.....	 1,093,430
	£14,101,459

This also shows most clearly that the Birmingham and Bristol expenditure is not included in the accounts presented

* Report of the Commissioners of Railways 1847, 164, lxxii, appendix 3 and 4,—the calls since made are added.

other leased or amalgamated lines, and that the present arrearage on calls in the Midland Company, alone amounts to 102,089*l*.

Mr. Hudson stated in his evidence in July, 1846, that the North Midland, the Midland Counties, and Birmingham and Derby Railways, had cost 6,581,233*l*., and to which he added the discount at which the money was raised, namely, 600,000*l*. (actually 627,364*l*.) so that the virtual cost was 7,181,233*l*. and in answer to a question put by Mr. Hume (3265), he says the capital actually raised by shares and bonds up to 30th June, 1846, was 7,963,706*l*., the accounts submitted to the meeting of August 1846, made up to same date, stated it to be much less, namely, 7,557,712*l*.; and by the last account (to 31st December, 1847), it will, on examination, be found that the three Railways, and the very same mileage, which when on amalgamation in 1844, had cost 6,244,746*l*. without the 600,000, (properly 627,364*l*.) discount, at which the money was raised, has now been credited to December 31, 1847, £8,538,256, ^{or with} _{the disc.} £9,138,256

The Branches since made,

or now making.....	1,276,091	1,276,091
Electric Telegraph	49,414	49,414
Total actually expended	<u>£9,863,761</u>	<u>and nomi- nally £10,463,761</u>

The impression conveyed by the Midland Company's accounts is, that the Midland Company have expended (including the Leicester and Swannington, the Sheffield and Rotherham, the Birmingham and Bristol Lines) 9,863,761*l*. really, and 10,463,761*l*. nominally, but that sum is actually credited as expended on the late North Midland, Midland Counties, and Birmingham and Derby lines, a few extensions, two canal purchases, and the 125,550*l*. subscribed to other Companies alone, and the sums expended between

Birmingham and Bristol, Sheffield and Rotherham, Leicester and Swannington, the Leeds and Bradford, and other rented or guaranteed lines, are not included. Again, a return was ordered by the House of Commons on the 2nd March, 1847, "of the amount of money expended in the actual cost of construction, and for working Stock on all Railways previous to January 1847." And in this return the expenditure of the Midland Railway is stated to be 7,862,271*l.*, but no return is made of the expenditure on the Birmingham and Bristol, or any of the lines amalgamated or leased, and the impression conveyed is, that the whole expenditure on lines worked by the Midland Company, is confined to that amount. Again, Mr. Ellice moved for a return on the 28th Jan. 1847, "of all Mortgages, Bonds, Debentures, or Engagements for borrowing Money contracted by Railway Companies then outstanding." The return made by the Midland Company was 1,815,355*l.*, omitting all mention of the Birmingham and Bristol Railway, and the debts of the other Companies under its controul, and entirely omitting to make (as in the other return), any return of those companies. And in every return, and in every account, there is this same omission.

Attention should be again brought to the fact, that the original estimate of the North Midland, the Midland Counties, and the Birmingham and Derby Railway, was 3,121,900*l.*, that the sum expended, when opened throughout, was 5,597,995*l.*, that the expenditure had increased on the same mileage in 1844, to 6,244,746*l.*, and that at the present time, as far as it is possible to collect from a close examination of the accounts, the sum credited on that very same mileage, has increased to 8,538,256*l.* really, and 9,138,256*l.* nominally; by nominally is meant, that 600,000*l.*, (or more properly 627,364*l.*) is supposed to be paid up on shares, and is entitled to a dividend, though not paid. It is impossible to

let this Company pass without some remarks, on their agreements and guarantees. The Leeds and Bradford Railway was formerly projected by the North Midland Company; but on the shares being allotted, the shareholders found that the whole matter had been taken out of their hands, and Mr. Hudson and Mr. Waddington acknowledged that they had allotted a very large number of the shares to themselves; but that is not all; Mr. Hudson, as the Chairman, and Mr. Waddington as a Director of the Midland Company, have agreed to lease to the Midland Company the Railway of which they themselves were also Chairman and Deputy-Chairman, and chief proprietors; and the terms on which they on behalf of the Midland Company agreed to give was 10 $\frac{1}{2}$ per cent., the highest dividend allowed by law, and the shares were made by that and other means, to reach 60 and 70 premium; with a nominal sum paid; and the proprietors of the Midland Company not only lost the allotments of shares which stood at high premiums, but have also encumbered their line with a heavy guarantee. Another of these peculiar transactions was the Birmingham and Gloucester amalgamation. The shares of this Company sold in 1841 at 40 $\frac{1}{2}$ discount, in 1842 at 50 $\frac{1}{2}$ discount, in 1843 at 52 $\frac{1}{2}$ discount, and in 1844 at 50 $\frac{1}{2}$ discount; and yet early in 1845, the Midland Company agreed to guarantee 6 per cent. on the share capital, take to the debts, and pay the rents and liabilities, and redeem the shares after 1848, at a premium of 50 $\frac{1}{2}$ per cent. The Midland Company have also agreed to guarantee 8 per cent. on the Leicester and Swannington, and purchase at 100 $\frac{1}{2}$ premium; and several other Railways and Canals were purchased or leased at enormous sums, for no other apparent reason but that of raising the price of shares; for if Directors could purchase shares for themselves or nominees, at great discounts, for their own benefit, surely they might have done the same for the Companies under their own controul or direction.

THE GREAT WESTERN.

The original estimate for this Railway, from the present station at Paddington to Bristol, $118\frac{1}{2}$ miles, including stations and working stock, appears to have been 4,999,999*l.* It was opened throughout on the 30th June, 1841, the expenditure at that time amounted to 5,877,426*l.*, and the sum credited on that same $118\frac{1}{2}$ miles on the 31st December, 1847, had reached 7,415,711*l.* The branches show a similar increase, and the Berks and Hants portion, sanctioned in 1845, the estimate for which was 400,000*l.* has already been credited (though not near completed), 714,913*l.*

. In stating the estimate to have been 400,000*l.*, the Parliamentary Paper is quoted, which was ordered by the House of Commons on the 17th July and 4th August, 1845, to be printed, being a return of the Railway Bills passed in 1845.*

* A complete analysis of this Company, and also of all the broad gauge lines is given in No. 5 of a work now publishing by Messrs Sherwood, Gilbert, and Piper, Paternoster Row, entitled "Railways as they really are," and no Share or Debenture holder should be without it. The affairs of this Company, as well as the other broad gauge lines, are there so fully treated of, it is impossible to add anything new.

LONDON AND SOUTH WESTERN.

The estimate for this Railway, as originally projected from London to Southampton, was 1,000,000*l.*, the sum expended on 30th June, 1840, when opened throughout, was 2,065,609*l.* The estimate for the Portsmouth branch was 300,000*l.*, and the sum expended on the 31st December, 1841, when opened, throughout, was 356,930*l.*, the expenditure then on these two lines, at the time of completion, amounted to 2,422,539*l.*, or an excess over the estimate, of 1,122,539*l.*, and the sums since credited have increased it to 2,639,116*l.* It is to the items credited by this Company to branches and extensions, to which attention should be directed.

The estimate for the Richmond line was 200,000*l.* It stands in the last account as having cost 353,490*l.* The estimate for the Bishopstoke and Salisbury line was 240,000*l.*, the sum already expended is 257,909*l.* The estimate for the Southampton and Dorchester line was 500,000*l.*, the sum credited as expended, is already 657,153*l.*, on a single line of rail. The London and South Western Company have credited as having expended on opened lines, that is to say, between London and Southampton, the Gosport branch, the Salisbury branch, the Richmond Railway, the Guildford Junction, and the Southampton and Dorchester Railway, the sum of £3,986,627

On Lines in the Course of Construction, including the Metropolitan Extensions, and the Andover and Southampton Branch..... 1,462,495

It advanced (without legal authority) to the South Western Steam Navigation Company, and to other Companies, most of

Carried forward ... 5,448,122

Bronght forward...	5,449,122
which have not obtained their Acts of Incorporation, commencing with the Windsor, Staines, and South Western, to which 142,164 <i>l.</i> is credited, and ending with Western Lines, to which 140,340 <i>l.</i> is credited ...	520,400
Credited to Capital Account for Engineering, Law, Rails, Engines, Carriages, Stationery, Interest, &c., which should have been charged against Revenue.....	454,000
Total expenditure.....	6,425,000
Fictitious Discount at which 16,000 shares were issued	400,000

The present expenditure equal to £6,122,087

If a proprietor refers to the Revenue Account of 31st Dec. 1844, he will find that the balance shewn for dividend was 101,191*l.* at a period when 2,604,405*l.* had been expended on the opened lines, and if he refers to the last Account, i. e. to December 1847, being a corresponding half year, when 3,976,736*l.* had been expended on the opened lines, (without including those recently so,) and to which 400,000*l.* must be added, that sum being entitled to dividend, being the discount at which the 16,000 shares were issued, making a total of 4,376,736*l.* he will find the balance for dividend, 104,479*l.* Yet, strange to say, in 1844, a dividend of 6½ per cent was declared, and in 1848, a dividend of 8 per cent. If 101,191*l.* will pay a dividend of 6½ per cent, when 2,604,405*l.* is expended, and 92½ miles opened—surely an additional 3,288*l.* will not enable the Company to declare a dividend of 8 per cent, when a sum equal to 4,376,736*l.* is expended on opened lines, and the traffic mileage increased from 92½ to 188.

Attention cannot be too strongly directed to the sums credited to capital in the last account, commencing with the 11,810*l.* charged for surveying and engineering, and ending with sleepers, 1,683*l.*; between these two items are sums amounting in the aggregate to 450,000*l.*, certainly chargeable to Revenue, and sufficiently large to swallow up two or three years' dividend; and which sum is in addition to 520,529*l.* credited to other Companies, making together very nearly one million sterling. These additional credits to capital, but too clearly shew the state and management of this Company.

LONDON, BRIGHTON, & SOUTH COAST.

The original estimate of the Croydon line was 140,000*l.*; that of the Brighton line from Croydon to Brighton and Shoreham, 1,800,000*l.* making a total of 1,940,000*l.* The sum expended to 31st Dec. 1841, when opened throughout, including stock, amounted to 2,907,234*l.*; the sum credited to the same mileage in the last account, had reached about 3,822,118*l.* and the whole sum credited as expended on the main line, and branches in the last account amounted to 6,087,821*l.* to which should be added a fictitious sum of 354,066*l.* charged on the Brighton and Croydon line, and 91,500*l.* on the branches, all which is entitled to dividend, and amounting in the whole to 445,566*l.*: the total expenditure therefore, is equal to 6,533,387*l.*

The most remarkable items in the Capital Accounts, are, those which belong to Revenue. In the last account, for instance, are the items of Engines, Tenders, and Machinery, 59,008*l.*—Carriags, first, second, and third class, 21,574*l.*—Horse Boxes, &c. 20,771*l.* These items on a first comparison with the last account, appear to be merely a slight increase

on the former items, but are in fact entire additions, and the whole of those sums, amounting to 101,353*l.* are credited to capital, in the one half year ; and there have been similar increases in the preceding half years. The item of relaying Croydon line is increased nearly 4,000*l.*, and the two following items 10,000*l.* ; all of which are very suspicious additions to the capital account. The estimate for the Brighton, Lewes, and Hastings line, sanctioned in 1844, was 425,000*l.*, the sum credited in the last account is 683,737*l.* The estimate for the Keymer branch, in 1845, was 140,000*l.*, the sum at present credited is 177,314*l.* ; and now, glancing over the last account, and passing items on which there are increases of more than 100,000*l.* to the capital account in the half year, we see the Croydon Atmospheric item increased from 495,573*l.* to 522,408*l.*, and " Great Kent line," (a lost line,) from 51,544*l.* to 78,214*l.* These two last items, making 600,262*l.* look so much like wilful waste, that it is difficult not to anticipate a woeful want.*

This last capital account shews an expenditure of 78,741*l.* over and above the capital and loan receipts. The Committee of shareholders now sitting, have a duty to perform quite at variance with their interests ; if they report the Company in a state of insolvency as regards revenue, they virtually say that their property is worth nothing, at any rate, from the immense sums which have been credited every half-year for working stock and plant, amounting to upwards of 200,000*l.* a year ; the engines and carriages must be in the most complete order. What information, the single fact, that no Company has closed its capital account, should convey to the cautious.

* The Share and Debenture holders in this Company, are referred to No. 1 of " Railways as they really are," Sherwood and Co., Paternoster Row.

THE SOUTH EASTERN AND DOVER.

The estimate for this railway was 1,400,000*l.*, and the sum expended on the 1st of August 1844, when opened throughout, amounted to 3,224,074*l.* the expenditure has since increased to 6,932,181*l.* and the following are a few of the items: the Kent lines not yet sanctioned, stood in the account to 31st of July, 1846, at 206,560*l.*, and the Parliamentary expenses and Engineering have since that period increased that single item to 400,196*l.*, and the line is not yet sanctioned. The interest charged to capital, already amounts to about 295,607*l.* The item of Engines and Carriages has increased in the Capital Account, from 128,702*l.* in 1844; to 422,825*l.* in 1848. The receipts on shares and loans, to 31st Jan. 1848, amounted to 7,118,103*l.* (not including the outlay on the Greenwich Railway, which is rented at 40,000*l.* a year, to be increased to 45,000—nor the outlay on the Canterbury and Whitstable Railway, for which 2,200*l.* a year is given, to be increased to 3,000*l.*—nor any part of the outlay on the old Croydon line, for the use of which, in the last half year, this Company credits its revenue 10,515*l.*—while the Brighton Company generously debit themselves 13,188*l.**) to which enormous fictitious discounts are to be added—for instance, 28,000 shares, on which 25*l.* only have been paid, are considered to have 50*l.* paid up; other shares when 30*l.* and 32*l.* is paid, are to be considered as having also 50*l.* paid—in fact, the discounts at which 252,500 shares have been issued is equal to 4,500,000*l.*

* This Company's affairs are so fully treated of in No. 2 of "Railways as they really are," that it is difficult to write anything new.

LANCASHIRE AND YORKSHIRE.

If the accounts of this Company (late Manchester and Leeds) were examined, everything connected with its affairs, is most deplorable, everything in the shape of a Railway Company has been amalgamated with; and the reasons for so doing are best known to the Directors, 12 of whom alone signed Railway Contracts in 1845, to the extent of more than 2,000,000*l*.*

The original estimate of the Manchester and Leeds Railway was 1,300,000*l*., the expenditure to June, 1841, had reached to 2,728,278*l*. and has since increased to 3,364,418*l*., or with its branches, extensions, and amalgamations, to 7,597,617*l*.†

The Chairman has signified his intention of retiring, and the last half yearly accounts are not published as in previous instances, but the Company acknowledges that it is in debt over and above (its loans and receipts on shares), a sum exceeding a quarter of a million. No one can examine the capital accounts with any degree of attention without being impressed and—were it not for the *declarations* of the Chairman to the contrary—being convinced that this Company paid all dividends out of capital.

* See Parliamentary return.

† The affairs of this Company are most fully shewn in No. 7 of "Railways as they really are." Numerous letters have appeared in the "Railway Times" under the signature of "Junius." The Company has been very severely handled by that writer, but it may be questioned whether those letters have not emanated from some one in the Directory, whose object it was to lead the public attention from the vital points; namely, the accounts and the real object of the amalgamations; it would be interesting to know what this Company has *actually paid* during the past 10 months in advertisements.

EASTERN COUNTIES.

The original estimate of this line was 1,600,000*l.* and that estimate included a line the whole distance from London to Norwich and Yarmouth, but the Company never executed more than about one third the distance, that is to Colchester, and that was opened at an expenditure of 2,718,020*l.* that is to say, the sum credited to the 30th June 1843, when opened 51 miles amounted to 2,718,020*l.* and by a return made in 1846, the same 51 miles is stated to have cost 3,100,000*l.* being an increase in 3 years of near 400,000*l.* This Company rents the Northern and Eastern line at a guaranteed dividend of 5*l.* per cent. on 911,850*l.* and 6*l.* per cent. on 269,550*l.* and the holders of the whole of this stock amounting to 1,180,400*l.* are entitled to the same rate of dividend as the Eastern Counties proprietary, when such dividends exceed the guaranteed amount. This Company issued without legal authority, in 1844 no less than 144,000*l.* shares, and in 1846 185,000*l.* shares, and the sum expended by the Eastern Counties Company amounted on the 4th January, 1848, to

Fictitious addition entitled to dividend ... 884,860

8,182,102

Northern and Eastern expenditure 1,180,400

•£9,362,502

The most remarkable feature in this Company† is the man-

*This sum does not include the 12 miles from Peterborough to Stamford, or the 5 miles from St. Ives to Huntingdon.

†This Company's affairs, as also the affairs of other Railway Companies in the Eastern District, have been fully discussed in a small shilling pamphlet published by Smith, Elder, and Co., Cornhill, entitled "The Eastern Counties Railway viewed as an Investment."

ner in which the accounts are presented to the proprietors, namely, 400,000*l.* was added to the last capital account as expended in 6 months, without stating for what line it had been applied. In the account to 4th July, 1847, the enormous sum of 741,944*l.* was similarly credited to capital in another 6 months, in fact, during the past two years, the sums credited to the capital account of the Eastern Counties Company, have been increased from 3,248,063*l.* to 7,297,242*l.* Nor should the mummery of the bonus be forgotten, the idea of shares of this Company becoming more valuable, because the Chairman said 20*l.* should be considered paid when only 16*l.* 0*s.* 2*3d.* was paid, is certainly equal to anything that took place at the period of the South Sea Bubble. "If, said the Chairman "you pay up 1*l.* 4*s.* more on each 14*l.* 16*s.* share, I will add "a bonus of 4*l.*, that is, the shares shall be considered to have 20*l.* paid."

An advertisement of the Eastern Counties Company has just appeared, for calling a meeting at which a proposition is to be made for raising 675,920*l.* on a minimum guaranteed of 6 per cent., this implies that they are unable to raise money on the usual calls, or on loans. This Company has already give a minimum guarantee of 5 and 6 per cent. on 32,764 Northern and Eastern shares—a guarantee of 5 per cent. on 144,000 shares legally issued in 1844, and on 144,000 shares issued in the same year without legal authority—a guarantee was also promised at the time of issue on the 185,000 York Extension shares (the writer has no opportunity of knowing how it was, that faith was not kept after the shares had passed into the hands of the public, and large premiums had been realised; for it appears by the bill introduced by the directors to legalize these shares, that no attempt was made to fulfil the promise.) The shares issued therefore under the auspices of guarantees have already reached the extraordinary number of 505,764 (the total

shares issued by the two Companies, number 718,501) but leaving out the York extension shares, and taking the remaining 320,764 guaranteed shares at the minimum guaranteed dividend, (and not at the rate actually paid) they absorb the annual sum of 157,609*l.* in dividend.

The debenture debt on loans appears in the last account, as amounting to 744,105*l.*, and at 5*l.* per cent., require an annual payment of interest amounting to 37,205*l.*, and if the stamps are included, the annual payment far exceeds this amount.

The persons *absolutely necessary* for working 185½ miles alone of this railway, with 52 stations, (and not including any employed on the branches or extensions) on the 1st of May, 1847, numbered 2,632 * now leaving out the sums paid to Directors, and Solicitors, and the other *great* men, it requires about 263,200*l.* to pay wages alone.

The guarantees, (taken at the lowest), the interest on the debt, and the wages, require an annual payment of 457,474*l.*; and if to that sum is added, *merely* the sum credited for coal and coke amounting to 48,740*l.*; the advertising and printing, 6,212*l.*; the rates, taxes, duty, compensation, and casualties, amounting to 36,600*l.*; the whole yearly traffic receipts are at once swallowed up. As to the proposed new shares, the prudent will decline them; though, without doubt, they will be puffed and rigged to a premium, and will net a good sum to some individuals who want a few more premiums; the dupes fortunately are every day becoming more rare. The shareholders are referred to the capital account for the fund out of which the dividend is paid. Under the head of disburse-

* See number and occupation in return moved for, by Capt. Gladstone, and ordered by the House of Commons, on 11th of May, and printed 28th June, 1847.

ments, will be found items charged *every half year*, amounting to 350,000*l.* under the plea of land, rails, engines, &c., &c.

YORK AND NORTH MIDLAND.

This line was originally projected 27 miles in length, at an estimate of 335,000*l.* and was opened throughout in 1841, at a cost of 445,042*l.* the outlay had increased in June 1843, on the same 27 miles to 673,000*l.* In 1843 the Company made arrangements to purchase the Leeds and Selby Junction, the shares of that Company were at enormous discount, and by giving the sum actually expended 340,000*l.* the market value was greatly enhanced. This was one of the first of those transactions, since become so common, and by which Directors have realised enormous sums. On the following year, the Whitby and Pickering Railway, was purchased in the same manner for 80,000*l.* And the York and North Midland Company have actually had the boldness to agree to give for the Hull and Selby line, on which 683,513*l.* had been expended, and for the Bridlington branch, on which 83,850*l.* had been expended, (making together 767,363*l.*) the enormous sum of 2,000,000*l.* So great have been the sums realised on the shares of the Companies leased and purchased by the York and North Midland Company, that people who have been in the secret, have publicly declared that they sat down to dinner 20,000*l.* richer than they breakfasted. The shares of the purchasing and leasing Company have of course greatly depreciated, in 1845, shares, on which 931,833*l.* had been paid, sold at a premium of 2,196,367*l.*, the same shares in 1848 are selling with 1,895,400*l.* paid up at a premium of 359,200*l.* being a loss to the purchasers, without including the further sum paid up of 1,837,167*l.*

At the former period, Directors, their nominees, and their friends held the shares, at the present depreciating value the public hold. The Hull and Selby shares were made to rise in value about 1,000,000 and it was elicited from Mr. Hudson, before the Committee on Railway Acts Enactments on the 14th July 1846, that the proprietors of the York and North Midland Company had received a sum equal to 250*l* for every 50*l* share, in other words, those in the secret had opportunities of purchasing at certain periods, and by so doing became entitled to new shares, which sold at the various periods of allotment at 250*l* premium, a very slight attention to the accounts of this Company will show that the whole was fictitious, that the improper additions to capital was enormous, and that the premiums were all obtained to suit the convenience of certain persons who sold. The capital account of this Company had increased from 1,107,146*l* in 1844 to 3,799,297*l* in 1848, while the greater part of the additional mileage has been rented, and the outlay not included in the York, North Midland accounts.

YORK, NEWCASTLE, & BERWICK.

The first portion of Railway belonging to this Company opened, was from Newcastle to Darlington, (late called the Newcastle and Darlington Railway) the estimate was 500,000*l* and it was completed for less and opened on 30th June 1844, at a cost of 404,728*l*., but the sums credited to the line since it was opened is upwards of 500,000*l*., which accounts for the large dividends declared. The last account shews a melancholy instance of Railway Management; namely, a debt to another Company amounting to 350,000*l*., and a balance due to bankers amounting to 186,240*l*.. In 1844 this Company obtained an Act authorising the purchase of the Durham Junction and the Brandling Junction Railways, the Durham Junction 4½ miles in length, had been opened in 1838, and had never paid a dividend, and the shares were selling at a very great discount, the line was notwithstanding purchased at par (88,500*l*).

The Brandling Junction 25 Miles was opened in 1842, and had worked at a considerable loss, the sum however given was 5*l*. premium, though the shares were just previously selling at 50*l*. per cent. discount; and Mr. Hudson informed the Select Committee on 29th July, 1846, that in that undertaking he took upon himself liabilities to the extent of 300,000*l*., and that he issued new 25*l*. shares in the Newcastle and Darlington Company which were at 20*l*. premium to pay for the purchase. Those who knew the proceedings therefore, have had the opportunities of netting, by the purchase of the Railway and the issue of shares, nearly half a million sterling; the same successful operations have been successively carried on in the Pontop and

South Shields, and Durham and Sunderland purchases, the Newcastle and Berwick Amalgamation, and several other similar affairs, such as the York and Newcastle Company agreeing to subscribe, without legal authority, 75,000*l.* to the Docks at Sunderland,* and paying 4,000*l.* or 5,000*l.* and thereby making Railways subscriptions available for Electioneering purposes, and which subscription is kept out of the Company's account, unless it is included in the 186,240*l.* of debt due to Bankers, but the most remarkable transaction (say the Railway Commissioners in which the York and Newcastle Company have been engaged), is the agreement for the lease and purchase of the Great North of England Railway.

The Great North of England Railway was sanctioned in 1836, the estimate having been 669,000*l.* the line was opened throughout 45 miles in 1842, and the amount expended on the 30th June, 1843, had reached 1,230,000*l.* the shares sold two years after the line had been opened at 40*l.* discount, and the capital account was increased every half year 60,000*l.* or 70,000*l.* In 1844, the York and Darlington Directors came forward and agreed to lease the line at 10*l.* per cent per annum, on the 100*l.* shares, and 52*l.* per cent. per annum on the 40*l.* shares, that is, 10*l.* per cent. was guaranteed on the 5*l.* paid, and 6*l.* per cent. on the 35*l.* unpaid,† in other words, an annual interest of 2*l.* 12*s.* was guaranteed on each share, with 5*l.* paid, and they also agreed to purchase the Railway in the year 1850, at a price equal to 250*l.* for each 100*l.* share—100*l.* for each 40*l.* share, on which it was agreed only 5*l.* should be called—75*l.* for each 30*l.* share—and 37*l.* 10*s.* for each 10*l.* share, by these means the selling price of the shares of this Railway was increased from 500,000*l.* to 4,000,000*l.* This agreement no doubt answered the purpose of the interes-

* Report of the Commissioners of Railways 1847, 164, lxvii., page 3.

† Report of the Commissioners of Railways 1847, 164, lxvii., page 3.

ted persons, but it never will be carried out, and it must be admitted that this and several other transactions, exceed any, even those concocted, conceived, or executed at the period of the South Sea bubble.* The capital account of this Company has increased from 1,272,031*l.* in Jan. 1846, to 4,466,526*l.* in Jan. 1848. We find that the Newcastle and Berwick Railway amalgamated with the York and Newcastle on equal terms, and we find by a reference to the Alphabetical list of the persons subscribing to Bills for new lines deposited in 1845, that Mr. Hudson, the Chairman of the York and Newcastle Railway, had shares allotted to him to the extent of 200,000*l.* in the Newcastle and Berwick Company, but the Parliamentary Contracts or Register of shares affords little insight into real transactions of Directors, as they have had their nominees.†

*Any shareholder who will take the trouble to examine into the liabilities which have been imposed on the Midland Railway, the York and North Midland Railway, and the York, Newcastle, and Berwick Railway, will see that the shares are worth some 100*l.* less than nothing. Who for instance, if he really knew the nature of his responsibility, would make himself liable for the payment of the 4,000,000*l.* shortly becoming due for the Great North of England purchase. The Country is fast coming to its senses, and must demand to be released from this monster humbug, or more properly, the sad hallucination which pervades the public mind on the subject of Railway fortunes. By accident, some people unconnected with Railway management, have sold at a profit, and some few by design, have had shares allotted them, (as an advertisement, or to secure the interest of some power) but the large fortunes have only been acquired by the corresponding ruin and disappointment of others, accompanied with an abandonment of principle equal to that of a Trustee or Executor who purchases his own property at an enormous price with trust fund, and prevails on his inexperienced ward to sanction the proceeding by false representations on the first burst of delight felt on acquiring a majority.

† The following is taken from the Parliamentary Report from the Select Committee on Railway Acts Enactments, August 25, 1846, page xx:—

“Your Committee are unable to state with exactness the amount of money divided, or to be divided in this country, among proprietors, as premiums on new shares, but they conceive it cannot fall much short of fifty millions. The payment of large sums to obtain the consent of competing lines to amalga-

SCOTCH AND IRISH RAILWAYS.

The capital accounts of the Scotch Railway Companies presents the same features as the English. The promoters of the Irish Railways, seeing in 1845, that the shares of those English Railways, which were proved before Parliamentary Committees, to be lines that would pay 10*l.* per cent. stood at high premiums, immediately proved before Committees, that their lines would pay 11*l.* and 12*l.* per cent., amongst these 11*l.* and 12*l.* per cent. lines are the Belfast, and Bellymena, and the Cork, and Bandon.

mations, which at one time excited so much sensation, was not so objectionable in itself as in the use that was made of such amalgamations, and of the power to raise money for the extension of old, and the construction of branch lines. By issuing shares representing capital to an amount far beyond that of the money required, in order to enable proprietors to divide among themselves large premiums, sums were pocketed by proprietors, which, if applied to the purposes of the lines, would have rendered a corresponding issue of shares unnecessary, and in so far diminished the amount of stock created. Of these practices a striking illustration has already been given by your Committee, from the Report from the Select Committee on Group (58) of Railway Bills, relating to the Hull and Selby Railway Purchase Bill, and the Great North of England Railway Purchase Bill. Were an account taken of the sums already divided and to be hereafter divided among proprietors in this objectionable way, and of the expenditure incurred in buying off parties supposed to possess powerful interest, and in proceedings before Committees, which at a low estimate alone must have exceeded 25 millions, they would have been found sufficient for the construction of trunk lines for the whole country."

CONCLUSION.

A review has now been taken of the leading companies, and it sufficiently indicates their real position, it is but too evident, that as soon as calls cease to be paid and loans to be made, from that period also cease the payment of dividends. If it were possible to look forward and see a period at which Railway Companies could with any probability extricate themselves, it would be advisable, however bad the present position, to be silent and live in expectation, but that being completely hopeless, the whole system cannot be too soon brought before the public, especially when it is openly stated that the grossest and lowest tricks are daily resorted to by some Companies, to raise the shares, and make the traffic receipts appear larger,* and every day adds to the amount called and the sums borrowed.

Many will exclaim, surely no one would voluntarily enter on schemes of such vast magnitude without being convinced of their ultimate success; many no doubt did believe at one time in ultimate success, but it is singular that every Company originated with interested persons, and we have but to look at the Parliamentary Agents, Chairman, Directors, and Officers, to see how well they have attained their end. On looking over the accounts presented to the meeting during only the last half year, (a half year when no Parliamentary proceedings are going on) and following a lull in new schemes, it will be found that about half a million is credited to Engineers, that upwards of a million is credited to Parliamentary expenses, while

* It has been a common topic of conversation, that many Companies make their servants and labourers pay the fares before proceeding to the places required, (it is not known whether the guards, engine drivers, and stokers take return tickets) the money being given in one office to pay in another, the object being an apparent increase in the traffic receipts.

the items of Engines, Carriages, and Horse Boxes,* amounted to 2,000,000*l.* the sums credited every half year to land and compensation would purchase a moderate size County,† and the item of sleepers, rails, and works, no doubt bring a fair profit, as the contractor has not unfrequently found the Parliamentary deposit,‡ and if we mistake not, some few Bankers who have combined the office of Chairman, Treasurer, and Banker, have not done badly, while some half dozen Merchants and Tradesmen have for some years found the Chairmanship of a Railway Company, far more profitable than their previous business, though now when the public is becoming enlightened they find their businesses too large (Mercantile pursuits being at stand still) to allow of their retaining office.§

* This item in the last Midland account, stands at 318,683*l.* for that one half year.

† Chairmen and Directors have purchased even estates, and afterwards sold the comparatively small quantities necessary for their Railway, for sufficient to pay for the whole. One chairman of a Railway, not a hundred miles from Birkenhead, actually signed the conveyance conveying the land to himself and brother Directors on behalf of the Company, before he had had it conveyed to himself in his private capacity, and therefore, before he had paid for it.

‡ It was admitted before a select Committee, that contractors had frequently supplied the parliamentary deposits with the secret understanding, that he should have the contract on certain terms, and that that was a matter of common notoriety in the Railway world; see minutes of evidence taken before the Select Committee on Railways 1844, question 56, page 5.

§ Mr. Glyn has signified his intention of retiring from the Chairmanship of the London and North Western Company, in case Lord Monteagle's bill passes, giving power to the shareholders to apply to Government for an audit of Railway accounts. Mr. Grenfeld has signified his intention of abdicating from the Chairmanship of London, Brighton, and South Coast Company, since, as he says, abdication is all the rage; Mr. Holdsworth announced at the last meeting, that it was his intention to retire from the Chairmanship of the Lancashire and Yorkshire Company, his business not allowing him time sufficient to devote to the Company; and Mr. Hudson has more than once threatened his subjects with abdication on a simple question being asked, but this threat has only been resorted to of late; in fact, Railway honors are beginning to despised in proportion to the inquisitiveness of the shareholders.

The Country at large, is now left to form its own conclusions of the dividends have been paid out of capital, and the premiums fictitiously obtained, an enquiry should be demanded, and every reparation should be insisted on the behalf of the unfortunate shareholders, by restoring to them as far as possible their fortunes so surreptitiously taken from them. If on the other hand, the continuous sums credited to capital, have been fairly and honestly expended, it becomes the duty of the Government to inquire into the subject, for not only will the legislature have been deceived by false evidence and false estimates, but the persons embarking their capital have been induced to enter into heavy responsibilities and to part with their money under false pretences.

The writer has given a most patient investigation to the subject, purely on public grounds. He has had no interests whatever, for or against railways; and it would have given him the greatest satisfaction to have found all the Companies the very opposite to what they really are. There is but one parallel in our history to the present period, and that was the years 1721 and 1722, consequent on the speculations of 1718 and 1719; and the writer believes he cannot do better than promulgate the course taken at that period; and it will be found in the following extract of a modern historian.*

“No interested project was so absurd as not to meet with encouragement during the public delirium (1719); but the South Sea Scheme continued to be the chief object of attraction. At length, to use the phrase of the times, ‘the bubble began to burst.’ It was discovered that such as were thought to be in the secret, had disposed of all their stock, while the tide was at its height. A universal alarm was spread; every one wished to sell, and none would buy except at a very reduced price. The stock fell as rapidly as it had risen, and

* Russell's Modern Europe, period 1719.



AN APPENDIX
TO THE SECOND EDITION OF
THE BUBBLE OF THE AGE;
OR,
FALLACIES OF RAILWAY INVESTMENT,
RAILWAY ACCOUNTS,
AND RAILWAY DIVIDENDS.

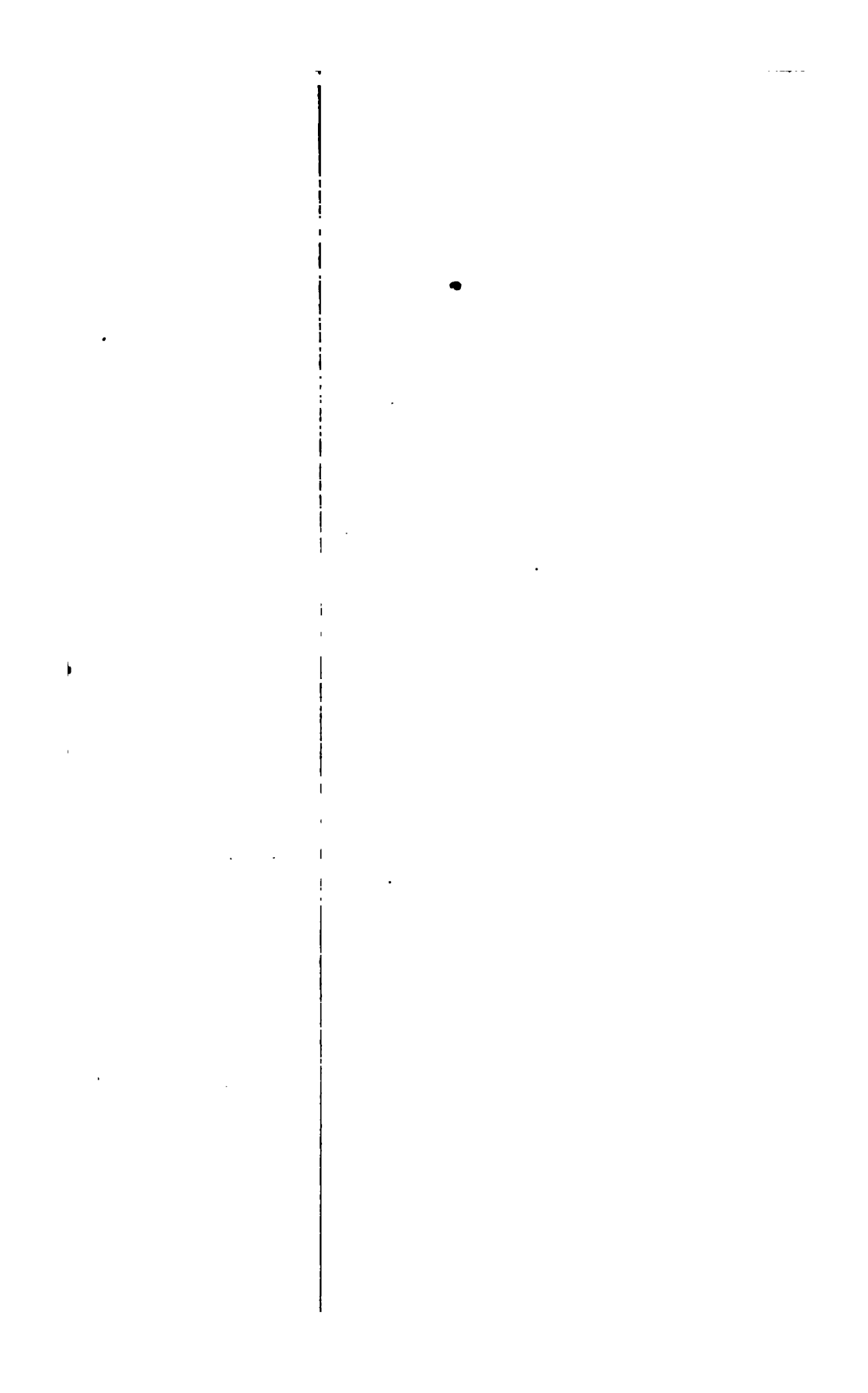
APPENDIX, No. I.
THE LONDON AND NORTH WESTERN COMPANY.

BY
ARTHUR SMITH.

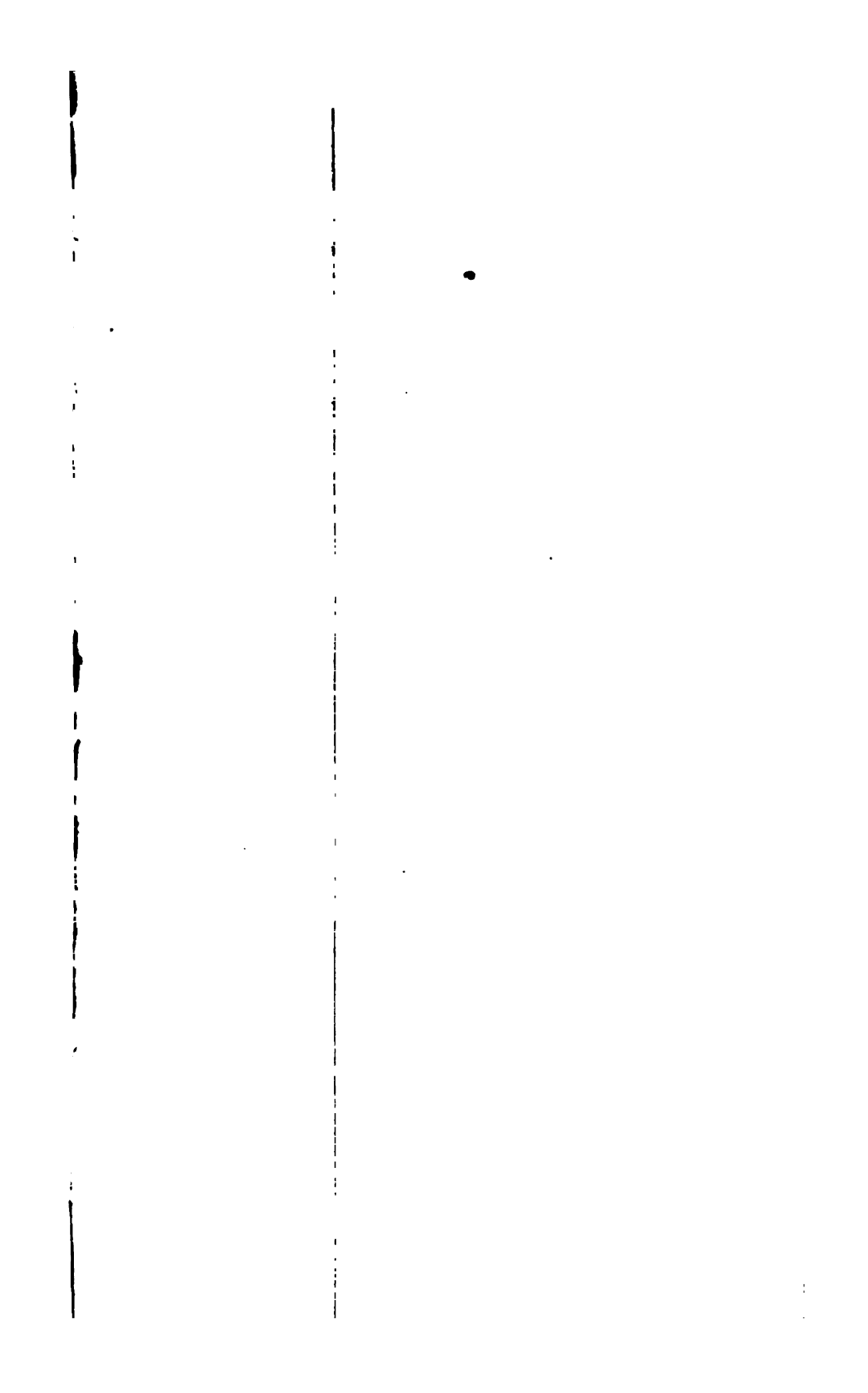
LONDON:
SHERWOOD, GILBERT, AND PIPER,
PATERNOSTER ROW.

1848.

This Appendix is published at the request of numerous friends and correspondents, and should additional Appendices of the other Companies be desired, or explanation required, the writer can be addressed through the publishers, the name and address being given as a guarantee.



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ACCOUNT, No. I.

THE WESTERN Capital Account, on 31st December, 1847.

	31st Dec. 1847.	DISBURSEMENTS.	31st Dec. 1847.
—	£		
Shares	†	Credited to Main Line (see General	£14,440,813
”	9,191,091	Detail)	
1843..	838,859	Credited to Opened Branches (do.)....	3,568,348
1845..	\$ 136,956	do. Lines constructing (do.) ..	3,504,303
”	173,342		
”	563,258		
1837..	1,195,981		
1844..	200,316		
1845..	396,986		
”	68,021		
1846..	326,257		
Shares..	13,091,067		
86,160 ¶			
105,674**	8,791,734	Balance.....	21,513,464
			369,337
	21,882,801		21,882,801

and Manchester Company) 5,100 Shares of 100*l.* each, of 25*l.* each, issued in 1831—7,968 Shares of 50*l.* each, in 1845 are not included in the Stock) Total Liverpool a consolidated Shares consisted of 10,400 Shares of on and Newton Proprietors, in 1835—10,918 Shares of d Crewe Shareholders, in 1840—17,624 Shares of 25*l.* d 328 Shares of 100*l.* each, issued to Bolton and Leigh lon and Birmingham consolidated Shares consisted of issued in 1837—31,250 Shares of 32*l.* each, issued in representing 9,220,400*l.*

is in 1845.

Station in London, for which (see No. 14, in Account, r which (see No. 30, in Account, No. II.,) 274,099*l.*

d : i. e. 2*l.* is paid in dividend in a year on 2*l.* called— years was 2*l.* 2*s.*

t, 4,860,454*l.* at 4 and 4½ per cent, and 2,842,120*l.* at 5 on this debt, must be equal to 5 per cent on the whole, if yearly. The sum charged for interest in the last 10*l.* less than it should be, after making deductions for onstructing, (1,189,449*l.*) and that exceeds the sum



APPENDIX, No. 1.

THE LONDON AND NORTH WESTERN RAILWAY COMPANY.

The first account which demands attention is the capital account, No. I. The receipts are an exact copy of those presented to the proprietary at the last half yearly meeting made up to the 31st December 1847, the disbursements are subdivided, first to shew the sums credited as expended on the main lines, secondly to shew the sums credited to the subsidiary lines opened, and thirdly to shew the sums credited to lines in the course of construction, (the separate items are given in the general detail account No. II.)

The total capital receipts on shares and loans amounts to £21,882,801, the expenditure to £21,513,464, and the balance of capital in hand is stated to have been £369,337.

In juxtaposition with the capital account will be found the premiums at which the new shares were issued in the years 1845 and 1846, also, the arrears on calls on 31st December, 1847, and the total number of shares issued. The correctness of these particulars can be tested by reference to the share lists, the Company's accounts, and the report of the Commissioners of Railways 1847, XLIV. appendix 3, page 27. The total number

of shares issued by the Company has reached the almost incredible number of 735,138. The arrears on calls appear to have amounted to £283,523. The aggregate amount of premiums on the shares issued in the two years 1845 and 1846, alone reached the enormous sum of £5,068,815, (only £59,185 less than the the original estimate of the whole main line, 288 miles). These premiums it should be observed, have proved a clear gain to those who sold immediately after the issues, and have since been almost a total loss to the unfortunate purchasers, and to which pecuniary loss must now be added the painful conviction that the premiums were all founded on misrepresentations.

The £9,191,091 of receipts on the consolidated stock include only the *actual receipts* and the bonus, or fictitious capital given to the Grand Junction Proprietors in 1845, amounting to £964,762, (entitled to equal dividend) is not included, this fact is proved beyond all doubt by a reference to the third appendix to the Report of the Commissioners of Railways in 1847, XLIV. page 27.

The calls paid in advance amount to £186,160, and carry interest at the rate of £5 per cent. per annum.

The debenture debt amounts to £8,605,574, and including stamps and commissions cannot be computed as requiring less than an annual sum equal to £5 per cent. on the whole, although £900,000 is borrowed at £3½ per cent., £4,860,454 at £4 and £4½ per cent., and £2,845,120 at £5 per cent., this is proved by the return to the House of Commons (on the motion of Mr. Ellice,) and ordered to be printed 14th April, 1847. Of this debenture debt £1,189,449 is chargeable to the unopened lines, and therefore the interest chargeable against revenue is on £7,416,125.

The 68,750 shares of £20 each issued in 1845, at a premium of £1,481,250, have only £2 each called up, which is entitled to participate equally in dividend, and the remaining £18 per

share, or £1,237,500 is entitled (though not called) to half dividend, being the bonus given to the London and Birmingham Company in 1845. It should be here observed, that by the issue of this bonus (as it was termed) as well as the distribution of fictitious capital to the Grand Junction Company, the Act of Parliament passed for limiting the dividends to £10 per cent., was not only set at defiance, but the representations made by such additions, were such as induced the public to believe that Railway Companies, made unlimited profits, from which sprung the mania of 1845, the injury therefore was threefold. First, the solemn act of the legislature—an act introduced by the Government founded on a special inquiry—was set at defiance. Secondly, it imbued the public mind with an erroneous impression of the real nature of Railway investment, and partly created the large premiums; and Thirdly, it enabled certain parties with influence in directories, and directors themselves, to obtain at par and dispose of at premiums numerous shares, (temptation for the unnecessary branches and useless allotments) and thereby pocket very large amounts.

The bonus given to the Grand Junction Proprietors at the present rate of dividend (£3 per cent.) requires an annual payment of.....	£ 77,823
The calls paid in advance require do.....	9,308
The debenture debt chargeable against revenue, requires an annual payment of.....	370,806
The bonus given to the London and Birmingham Company entitled to half dividend, requires an annual payment, at £4 per cent. of.....	55,683
The total annuity (as it were) and mortgage interest charged on the London and North Western revenue, independent of the dividends on its paid up share capital, amounts to.....	513,618
The next account to be examined, (No. II.) is the general	

detail of the sums continuously credited to capital, *since the amalgamation*; (it is taken from this date, that the Proprietors may be easily enabled to test the accuracy of the figures, and non-proprietors will find the accounts in the February and August numbers of the railway papers,) the amounts are *exact* copies from the five last accounts presented to the Shareholders, and in juxta position will be found the estimates, the capital and loan authorised, and a reference to notes. First the main lines have required very nearly one million additional share capital, or loan every year, and on a reference to the items numbered 14 and 30, it is found that that enormous addition does not include the expenditure at the Birmingham Station, nor for the Liverpool extension, two sums amounting to £562,789, being credited, as applied to that purpose. We find the original parliamentary estimate was £5,148,000, (an amount very little exceeding the premiums on the new shares issued in 1845 and 1846 alone,) the sum expended at the period when opened throughout, amounted to £9,763,302, the present cost is stated to be £14,440,813, which neither includes the bonus of £964,762, entitled to equal dividend, or the bonus of £1,237,500, entitled to half dividend, the accounts being balanced with the actual receipts. The next item is the West London, which is credited with an additional £18,334, though neither working or paying rent, the subsequent items display the same proportionate continuous assistance from capital as the main line, and the Trent Valley entirely destroys all idea of there being any improvement of late years, (though so much was boasted in 1845) in Engineers' estimates. The estimate in 1845 for the Trent Valley line, was £900,000, the sum credited at the time it was ready to be opened, (see report presented to meeting in August 1847—*Railway Times*, 14th August 1847,) amounted to £1,575,842, and a very considerable addition has since been made, making the cost £1,647,906, or an excess over the esti-



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III.

ounts, as submitted to the Shareholders.

Taken from Half Yearly Account ending 31st Dec. 1846.		Taken from Half Yearly Account ending 30th June, 1847.		Taken from Half Yearly Account ending 31st Dec. 1847.	
£	£	£	£	£	£
	672,659		600,240		652,392
	.....		.....		21,443
	19,110		17,791		17,667
	55,680		52,358		56,050
	290,547		294,364		317,459
	37,794		21,940		38,916
	15,758		22,105		26,202
	.....		.....	†1,130,129	
	7,657		11,575		14,517
	11,588		10,318		6,234
	.....		.....		9,205
	<u>1,110,795</u>		<u>1,030,691</u>		<u>1,160,085</u>
45,534		51,079		44,140	
120,412		132,213		124,473	
16,428		18,023		19,313	
77,899		81,987		88,273	
62,060		74,560		78,594	
4,668		5,525		6,806	
9,256		20,333		16,338	
858		749		828	
<u>342,115</u>		<u>384,469</u>		<u>†378,771</u>	
23,504		26,669		30,297	
27,217		24,179		27,963	
57,048		80,677		§75,199	
	<u>456,884</u>		<u>515,994</u>		<u>512,230</u>
	<u>653,911</u>		<u>514,697</u>		<u>647,855</u>

—Northampton and Peterborough, 46½— and Warring-

note) Bedford and Bletchley, 15½ miles—Macclesfield
miles—the Trent Valley was completed in June, but not

ould take 390,000*l.* to have paid wages alone this half

186,160*l.* and the Debenture Debt to 8,605,574*l.* Total,
require an annual sum equal to five per cent on the
unproductive lines, namely, 1,189,449*l.*, still one half
of which, only 75,199*l.* is credited against revenue. It
ould have been charged against revenue. See Account IV.

mate of £747,906. At number 9 the Chester and Holyhead line is credited with £161,645 more than appears to have been authorised. At number 21 the excess appears to be £66,119. The two numbers of 14 and 30 shew an additional outlay on the stations of the main line over the £14,440,813 previously charged, of £562,789, and the remaining items with the 'General Summary' at the foot, show that the London and North Western Company are engaged as purchasers, subscribers or lessees, in 1684 miles of Railway, for which £59,632,274 was authorised at the end of the session, 1847.

The III. account requiring attention is composed of the exact items presented to the proprietary at the four last half yearly general meetings as the revenue accounts. It appears that the receipts have increased but very slightly, notwithstanding the increased expenditure and extended mileage, indeed on referring to the accounts of the Grand Junction, the London and Birmingham, and the Manchester and Birmingham Companies made up to the 31st December, 1845, (not included in this account) see Railway papers of 14th February, and 14th March, 1846, it will be found that the aggregate receipts amounted in the half year to £1,054,955, when only £14,163,259 had been expended, including the unopened portions, and on reference to the last account being a corresponding half year, the revenue receipts only shew an increase of £105,130, when £21,513,464, (or £7,350,205 of additional capital) was expended, and between two and three millions of fictitious capital entitled to dividend, again the working expenses at the first period are stated to have been £427,429, and at the latter £512,230, and it does not appear that the rent was paid for the North Union Railway.

The IV. account is a general summary of the net profits and continuous outlay on the opened lines, after such lines *had been opened* during the two years, ending the 31st December, 1847, and in each case the Company's own accounts are adopted

without any intention or wish to mislead or misrepresent. It is evident that more by £140,237 has been credited out of Capital as expenditure on the working lines, *after such lines had been opened*, than the net represented profits, without including the £562,789 expended on the Birmingham Station and Liverpool extension, (see 14 and 30 in general detail,) nor any of the fictitious or nominal capital, and independent of such continuous outlay on the opened lines so exceeding the profits, the non-working lines have been credited with sums very far exceeding the estimates, the Trent Valley line for instance, the estimated cost of which in 1845 was £900,000, has been already credited with £1,647,906, and the estimates for all the other branches now in an advanced state, (the Dunstable branch not opened is exceeded by £44,784,) are similarly exceeded, as well as the authorised subscriptions to other Companies.

The main line alone has been credited in the past two years with £1,983,472 or £991,736 a year, without including the £562,789 credited elsewhere, (general detail, 14 and 30,) to the Station and Liverpool Extension. Now, if the main line alone, 288 miles, (possessing by far the greatest elements of success, viz.: the traffic, without competition to and from London, Birmingham, Liverpool and Manchester, as well as that coming to and from Scotland and Ireland,) is annually requiring an expenditure of capital amounting to £991,736 *over and above* that credited against the revenue, and neither including half a million credited during the same time to the improvement of the stations, nor the more than two millions of nominal and fictitious capital, (the branches have also a proportionate credit) what will the whole 1684 miles require when opened, and the £59,632,274 is expended? Why at the same rate in ten years it will have required £60,000,000 (*sixty millions*) of additional share capital, (over and above the £59,632,274, and the sum now usually credited out of revenue,) and in this calculation all the

1. The first line is a vertical line.

2. The second line is a vertical line.

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other 33 items of expenditure are supposed to be fairly credited, and the Trent Valley Railway to have honestly cost £747,906, for instance, more than the estimate of 1845, and in one hundred years the 1684 miles will have required an additional share capital of £800,000,000, a sum equal to three-fourths of the national debt.

With all these undoubted facts, founded on the *Company's own accounts*, the only conclusion to be arrived at is, that this Railway has either required more to be expended on it than it gains, or that sums used for Dividends have been credited to the capital account as expenditure, and looking at the last revenue account for instance, and seeing only £75,199, credited against revenue for interest and loans, when it is evident it should have been £190,059, and looking to the sum of £378,771, charged as the total working expenses, when it appears that the item of wages alone, see p. 9 note*—exceeds that sum, (without including the numerous expenses attendant on locomotive power,) and there is a total omission of any rent paid for the North Union, it is most painfully evident that the whole has proved in a pecuniary point of view a complete failure, and taking a retrospect of the Liverpool and Manchester, (see page 28) or the united Companies now forming the London and North Western Railway, the original estimate for which was £5,148,000, the cost when opened £9,763,302, and seeing that the sum since credited as actual expenditure has reached £14,440,813; added to which, the continuous credit is proportionate on the branches and subsidiary lines, as well opened as unopened, we have the additional moral degradation of seeing the real object of the nominal and fictitious additions, and of knowing how much these old Companies tended to bring on the mania of 1845, the effects of which have sickened so many hearts and reduced so many to bankruptcy and beggary. In a word the Government and Legislature have been set at defiance,

the people have had their fortunes taken from them by misrepresentations, and trade has been paralysed. And yet Directors, not content with resisting the late test offered them of their integrity, by Lord Monteagle's bill, are applying for additional powers, for rash speculation and official abuse. They are seeking to add a monopoly in Steam Boat traffic, to their monopoly of land traffic. But it is to be hoped that other Railway Companies will prove more satisfactory on investigation than the London and North Western, for in no one point of view, and at no period do the accounts indicate that this Railway Company (taking the real facts) has been an eligible investment, or that it is a security for any debts that may be owing. The sums credited to the capital account for opened lines, exceed, in every case, the represented profits. If the shareholders are liable for the Debenture debt, their liability is enormous; if the Debenture debt is alone secured on the line, and the mortgagees are obliged to work it, they will be compelled each year to expend more than they receive in traffic receipts. Viewed in the most favorable light, it is evident that the line must have discontinued working had the capital account been closed; and had not large sums been raised under the pretext of branches, extensions, or improvements. It is equally evident that the dividend has depended more on the capital account, than on the traffic receipts. An investigation creates nothing but painful doubts, without a single satisfactory fact to counterbalance. The whole rests on facts,—let all those that doubt, refer to the accounts and decide for themselves.

NOTES AND EXPLANATIONS TO ACCOUNT NO. II.

The mileage of the open lines is taken from the Company's returns to the select Committee on Railway Acts Enactments in 1846, and the mileage of the new lines from the annual returns made to the House of Commons, and all the figures are taken from Acts of Parliament, or official documents.

* **MAIN LINES.**—These lines consist of the London and Birmingham line 112½ miles, the last portion of which was opened in 1838. The Grand Junction line (which from previous amalgamation, included the Bolton and Leigh, the Warrington and Newton, the Kenyon and Leigh, and the Chester and Crewe) 113½ miles, all of which was opened in 1838, except the Chester and Crewe portion which was not completed till 1841, the Manchester and Liverpool 30½ miles, opened throughout 30th September, 1830, and the Manchester and Birmingham 31 miles, completed in 1842. The main line is therefore in the whole 288 miles. The original aggregate Parliamentary estimate was 5,148,000*l.*, the cost, six months after the periods, each respective portion was opened throughout, amounted in the whole to 9,763,302*l.* the sum credited to capital the half-year following the agreement to amalgamate, namely on the 1st January, 1846, (the respective accounts having been made up to the 31st December, 1845, except the Manchester and Birmingham, which was brought down to 31st January, 1846,) had reached 12,457,341*l.*,* and the further sum credited, that is in the last account made up to 31st December, 1847, has increased the item to 14,440,813*l.*, independent of between two and three millions of fictitious capital distributed as a bonus and (see 14 and 30) half a million expended on the Birmingham Station and Liverpool Extension. The agreement to amalgamate was entered into 7th November, 1845,—just as the public began to be alive to the frightful manner the shares were raised to a premium by rigging the market, as soon as the bubble began to show symptoms of weakness, the London and Birmingham and Grand Junction Companies, before so hostile, at once collapsed into one, and lost not a moment in dividing a fictitious capital of 1,265,000*l.* to be perpetually entitled to five per cent. per annum, to the former Company, and 964,762*l.* to participate equally in dividend to the latter.

* Any one desirous of following up the investigation, or testing the figures, will find the London and Birmingham account in the *Railway Times* of 14th February, 1846, or any of the other papers of that date; the Grand Junction and the Liverpool and Manchester accounts are also in the same papers; and the Manchester and Birmingham account will be found in *Herapath's Journal* of 14th March, 1846, and *Railway Times* of that or following week.

1. The West London is 2½ miles in length, and was being put under an execution for debt in 1845, but Mr. Hudson prevailed on this Company to agree to pay off the debts (60,000*l.*) and to lease it, (no rent has yet been paid;) the Great Western subsequently in 1846 paid 30,000*l.*

and become joint lessee, it is never used, and the mileage is therefore omitted.

2. This Railway, $7\frac{1}{4}$ miles of single line, became vested in this Company by purchase, at par, under 9 and 10 Vict. c. 182. The sum given was 50,000*l.*, and its liabilities taken to (10,000*l.*). It appears that 6,474*l.* has since been credited, the line was leased at 4*l.* per cent., or 2000*l.* a year on 60,000*l.*
3. $15\frac{1}{2}$ miles sanctioned in 1845, the original estimate having been 125,000*l.*, it was opened 17th November, 1846, at which period 200,006*l.* was credited to it.
4. $46\frac{1}{2}$ miles was sanctioned in 1843, the estimate having been 500,000*l.*, this line was opened 2nd June, 1845, (see Report of Officer's of Railway Department 1844 and 1845, page 522) at which period 429,409*l.* was credited as expended, (Railway Times 1845, page 1284, or Railway Papers of 16th August, 1845) the sum since credited is 300,392*l.*, making the total 729,801*l.*
5. $8\frac{1}{2}$ miles sanctioned in 1842, the estimate being 130,000*l.*, opened 9th December, 1844, (see Report of Officer's of Railway Department 1844 and 1845, page 493) when 119,055*l.* was expended, (see account, Railway Times 1845, page 215, and Railway papers of 15th February, 1845) the sum of 43,123*l.* is since credited, making a total of 162,178*l.*
6. $69\frac{1}{2}$ miles sanctioned in 1844, the estimate being 1,200,000*l.*, opened throughout December 1846, when 1,107,936*l.* was expended, the capital account is not published to 31st December, 1847, but the expenditure had reached 1,291,913*l.* on 30th June, 1847. The London and North Western is authorized to subscribe 350,000*l.*, and the last account shows a credit of 477,341*l.*
7. $9\frac{1}{2}$ miles sanctioned in 1844, estimated cost 160,000*l.*, the mileage is omitted in the table as the London and North Western merely subscribe, opened November 1845, at which period 138,983*l.* was expended, the sum since credited to this branch amounts to 51,131*l.* making a total of 190,114*l.*
8. $49\frac{1}{2}$ miles sanctioned in 1845, the estimate having been 900,000*l.*, opened throughout 1st December, 1847 at which period 1,647,906*l.*, was credited.
9. Sanctioned in 1844, the London and North Western is authorized to subscribe 1,000,000*l.*, the sum expended by the Chester and Holyhead on 31st December, 1847, amounted to 2,579,995*l.*, the authorized subscription is considerably exceeded.

10. Sanctioned in 1846 by 9 and 10 Vic. c. 67.
11. Sanctioned in 1846. The powers given to the London and North Western Company are *undefined*, see 9 and 10 Vic. c. 368.
12. Sanctioned in 1845 as a separate Company, but was sold to the London and North Western Company, the estimate was only 50,000*l.*, the sum credited in excess is 44,784*l.*, and the line is not opened.
13. Sanctioned in 1846 as an independent Company, the expenditure on 31st December, 1847, amounted to 426,255*l.*, the London and North Western hold one fourth of the shares, and are to lease or purchase when made under an act passed in 1847, the rent if leased to be $\frac{1}{3}$ of the London and North Western Company's dividend, on a capital of 760,350*l.*
14. Sanctioned in 1846, the London and Birmingham Company are empowered to enlarge their stations in London, (9 and 10 Vic. c. 152, and expend 150,000*l.* and by 9 and 10 Vic. c. 359, an extension in Birmingham is authorized to or near Navigation Street, (7 furlongs and 7 chains) and an expenditure of 350,000*l.*
15. Sanctioned in 1846, though two separate Companies, the Buckingham and Brackley Junction, and the Oxford and Bletchley Junction, and consolidated into one in 1847, under the name of 'The Buckinghamshire,' at the same time extension lines were sanctioned to Banbury and Aylesbury. The London and North Western have power to subscribe 570,000*l.* and also to construct and lease, in fact, the powers obtained by the London and North Western Company in the 9 and 10 Vic. c. 82 and 233 are *undefined*, the supposed terms are 4*l.* per cent. and half surplus profits. The sum expended 31st December, 1847, amounted to 366,025*l.*
16. Sanctioned in 1846 by three acts (9 and 10 Vic. c. 322, 323, 324) Newton and Crewe line 69m. 1f. 6c. Chester and Wolverhampton line 45m. 0f. 7c. Shrewsbury and Stafford line 40m. 4f. 0c. Have purchased the united Ellesmere and Chester Canal for 400,000*l.*, and have taken to the debt 800,207*l.* Have purchased the Shrewsbury Canal for 75,000*l.*, and the Montgomeryshire Canal, Eastern branch, for 78,210*l.*, and the Western branch is agreed to be purchased for 42,000*l.* The London and North Western have taken a lease at a rent equal to half the dividend paid by themselves.
17. Sanctioned in 1847 as a separate Company.
18. Sanctioned in 1846 as a separate Company by an act of 1847, the shares are reduced from 50*l.* each to 44*l.* 15s. The sum expended to 31st December, 1847, amounted to 110,968*l.*

19. Sanctioned in 1845. The London and North Western is empowered to lease, and subscribe 187,000l. This Railway was called the "Manchester and South Junction and Altrincham Railway," and was sanctioned 1845.
20. Sanctioned in 1846, 9 and 10 Vict. c. 300. The London and North Western Company is empowered to subscribe 187,500l., and has agreed to lease it. The expenditure to 31st January, 1848, amounted to 94,011l. The short portion between the London and North Western and Walsall has been opened some months, and the traffic is included in the London and North Western's.
21. The London and North Western Company is authorized to subscribe 100,000l. and has joined with this Company in conjunction with the Lancaster and Carlisle in agreeing to lease the Scottish Central at 7 per cent. and half the surplus profits on 1,020,000l., the various other leased and amalgamated Railways are included with the Caledonian, the Capital account to the 31st December, 1847, shewed an expenditure of 3,504,471l., being 388,848l. more than the receipts on capital.
22. This line was purchased by the London and North Western at 2l. premium, it was sanctioned in 1846, 9 and 10 Vict. c. 232, an addition of 13 miles was sanctioned in 1847, and an additional 350,000l.
23. Both this Railway and the Huddersfield and Manchester Railway and Canal were vested in the London and North Western, by an act of 1847, and authority was given for the issue of new shares, distinguished as Huddersfield and Manchester, and Leeds and Dewsbury shares, but such shares are to participate to the extent of seven-tenths, of the London and North Western dividend.
24. A branch promoted by the London and North Western, sanctioned in 1846, 9 and 10 Vict. c. 331.
25. Sanctioned in 1846, as an independent Company, and purchased by the London and North Western, confirmed in 1847, the sum authorized is *undefined*.
26. Sanctioned in 1847, being a branch promoted by the London and North Western.
27. Sanctioned in 1846, the London and North Western take shares.
28. Ditto 1847, promoted by the London and North Western.
29. Ditto 1846, no Capital sanctioned.
30. Ditto 1845, the act authorizes the enlargement of the Stations at Liverpool, further powers were granted in 1847.

